

NOTICE OF KEY DECISION



Agenda Item	
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MEETING: OVERVIEW & SCRUTINY COMMITTEE
CABINET

DATE: 11 FEBRUARY, 2016
24 FEBRUARY, 2016

SUBJECT: CORPORATE FINANCIAL MONITORING REPORT –
APRIL TO DECEMBER 2015

REPORT FROM: DEPUTY LEADER OF THE COUNCIL AND CABINET
MEMBER FOR FINANCE AND HOUSING

CONTACT OFFICER: STEVE KENYON, INTERIM EXECUTIVE DIRECTOR
OF RESOURCES & REGULATION

TYPE OF DECISION: CABINET (KEY DECISION)

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain

SUMMARY: The report informs Members of the Council’s financial position for the period April to December 2015 and projects the estimated outturn at the end of 2015/16.

The report also includes Prudential Indicators in accordance with CIPFA’s Prudential Code.

OPTIONS & RECOMMENDED OPTION Members are asked to note the financial position of the Council as at 31 December 2015 and to approve the s151 officer’s assessment of the minimum level of balances.

IMPLICATIONS:

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

Statement by the s151 Officer: The report has been prepared in accordance with all relevant Codes of Practice. There may be risks arising from remedial action taken to address the budget position;

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

Statement by Interim Executive Director of Resources & Regulation:

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

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

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

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

Equality/Diversity implications: No

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

Are there any legal implications? Yes

Wards Affected: All

Scrutiny Interest: Overview & Scrutiny Committee

TRACKING/PROCESS

EXECUTIVE DIRECTOR: Steve Kenyon

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

1.0 INTRODUCTION

- 1.1 This report informs Members of the forecast outturn for 2015/16 based upon current spend for the period 1 April 2015 to 31 December 2015 in respect of the revenue budget, capital budget and the Housing Revenue Account.
- 1.2 Projections are based on current trends, information, and professional judgement from service managers and finance staff.
- 1.3 The revenue budget projections highlight the fact that budget pressures do still exist in some key areas and it will be necessary to continue to examine options for improving the situation further.

2.0 BUDGET MONITORING PROCESSES

- 2.1 Reports continue to be presented quarterly to facilitate close monitoring of spend and implementation of action plans during the year.
- 2.2 Reports are also presented to the Strategic Leadership Team on a monthly basis and detailed monitoring information is also discussed at Star Chamber meetings during the year.
- 2.3 It is intended that improvements will continue to be made to the budget monitoring process, building on the significant developments implemented over the past few years.

3.0 SUMMARY OF REVENUE BUDGET POSITION

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

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

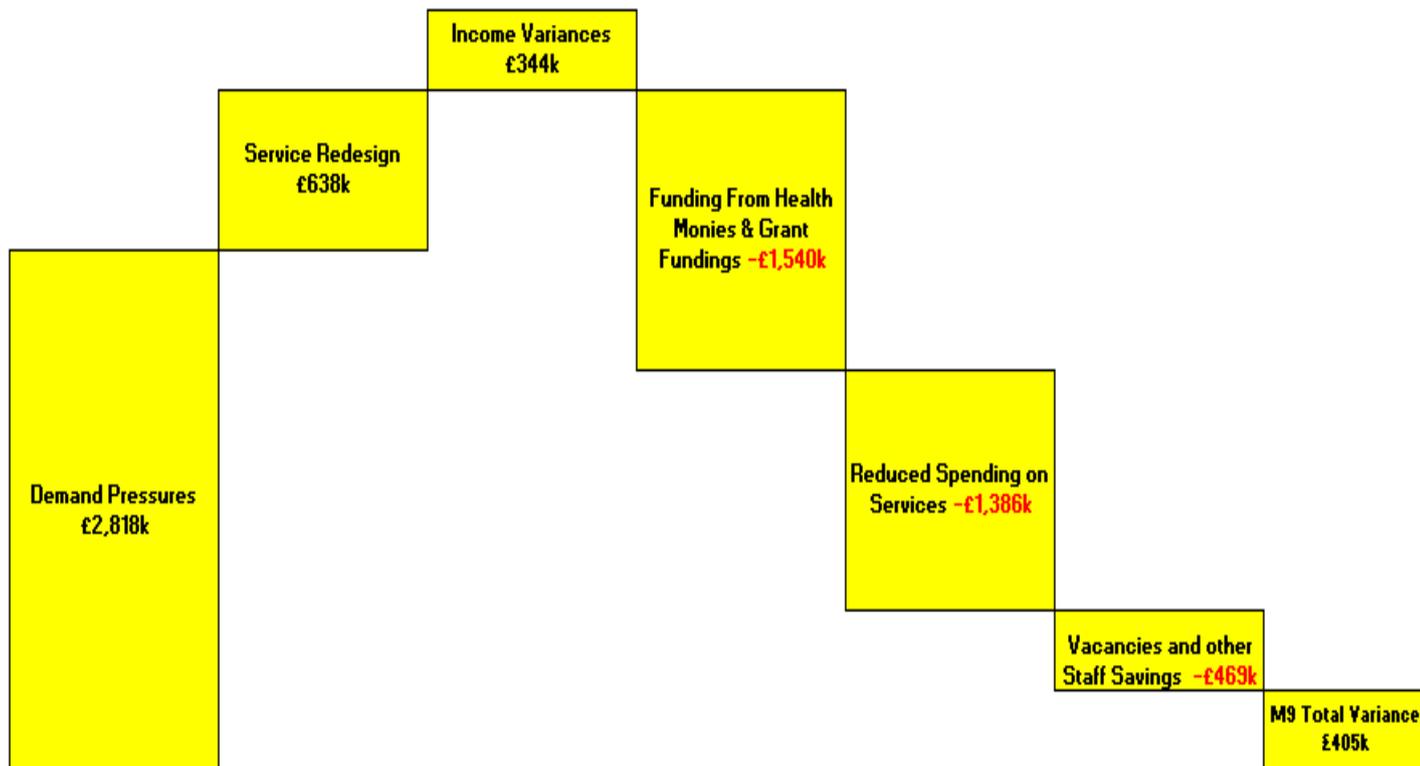
- 3.2 The projected overspend of **£0.604m** represents approximately **0.45%** of the total net budget of £133.694m.
- 3.3 Members need to be aware that financial reporting involves an element of judgement, and this particularly applies to the treatment of budget pressures. Often an area of overspending identified at this point in the year will still resolve itself before the end of the year following appropriate remedial action.
- 3.4 However it is felt appropriate to alert Members to potential problems at this stage so that they can monitor the situation and take ownership of the necessary remedial action and this is the basis on which the report is written.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

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

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



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

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

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

Income variances	+344	<p>Accommodation Team – (£100k) – (Reason – one-off income).</p> <p>Housing Choices – £154k - (Reason - shortfall in income expectations).</p> <p>Integrated Community Equipment Service (ICES) – (£71k) - (Reason – new contract with Pennine care has generated additional income).</p> <p>Bury Employment Support & Training (BEST) – (£22k).</p> <p>Assessment & Care Management Staff – (£46k).</p> <p>Workforce Development – (£40k) - (Reason - largely the result of Homes for Older People income budget forecast to exceed budget provision.</p> <p>Internal Recruitment Agency (Bury ACES) – (£5k).</p> <p>Civic Halls - £124k - (Reason - difficulties in achieving income targets).</p> <p>Leisure - £275k - (Reason - income not meeting targets).</p>	<p>Receipt of 'One Off' income regarding accommodation of asylum seekers.</p> <p>An income recovery action plan is being developed by senior management team.</p> <p>Historically this service experienced financial pressure in areas such as equipment, adaptations and mattresses, however a new contract with Pennine care has relieved the demand pressures longstanding that the ICES service previously experienced.</p> <p>The expectation is that further income can be generated from increased activity.</p> <p>The forecast outturn for this budget area has reduced largely as a result of receiving a one-off contribution from Public Health, however, this service remains under pressure as a consequence of safeguarding and DOLS.</p> <p>The possibility is that further income can be generated from increased activity, but these services have now become part of the LATCo (Persona).</p> <p>Income forecast exceeding budget provision.</p> <p>Approval has been given to appoint a Marketing Events Officer to promote the service, and a restructure has taken place following the proposed closure of Radcliffe Civic Hall, which will contribute to reducing the deficit along with further development of the growth & implementation plan.</p> <p>Further development of the growth & implementation plan is required, spending restrictions are in place.</p>
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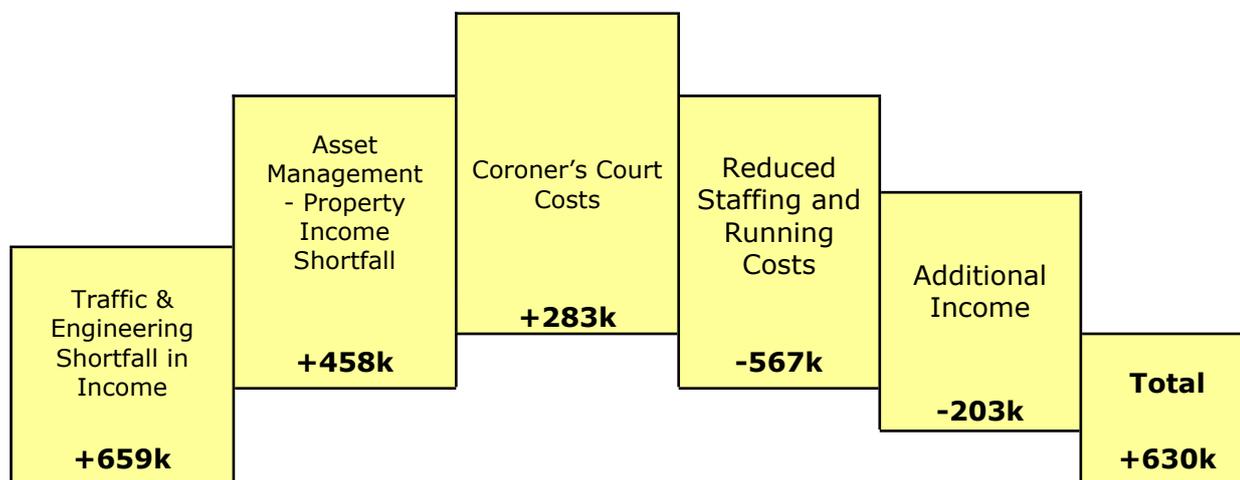
		<p>Transport Services - (£24k) - (Reason - income forecast to exceed budget).</p> <p>Trade Waste - £99k - (Reason - shortfall on trade waste income due to reduced pricing, increased recycling requires additional bins).</p>	<p>Will be used to offset other overspends.</p> <p>Although the service is profitable it has a challenging income target, but is looking at increasing income by targeting business.</p>
Reduced Spend on Services	-1,386	<p>Carers services budget - (£196k) - (Reason - underspending on Carers personal budgets).</p> <p>Finance - (£753k) (Reason - carers and Care Act Implementation Grant not expected to be spent in full).</p> <p>Older People Fieldwork Team - (£110k) - (Reason - result of action to meet savings target).</p> <p>Mental Health service - (£143k) - (Reason - result of action to meet savings target).</p> <p>Day Centres for under 65s - (£42k) - (Reason - transport costs within service reduced / small salary savings).</p> <p>HR Staff & Training Budget - (£45k) - (Reason - training budget not expected to be spent in full and staffing underspend).</p> <p>Air Monitoring (£8k) - (Reason - renewed contract with GMAQU).</p> <p>Dog Wardens (£16k) - (Reason - reduced number of stray dogs and renegotiated contracts).</p> <p>Public Conveniences & Street Cleaning (£57k) - (Reason - underspend on maintenance due to a reduction in the number of PC).</p> <p>Highways Network Services (£16k) - (Reason - reduced spend on transport due to re-allocation of transport recharges based on more realistic costs).</p>	<p>Forecast underspends may be used to offset pressure within other areas of adult care service budgets.</p>

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

4.2 RESOURCES AND REGULATION

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

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



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

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

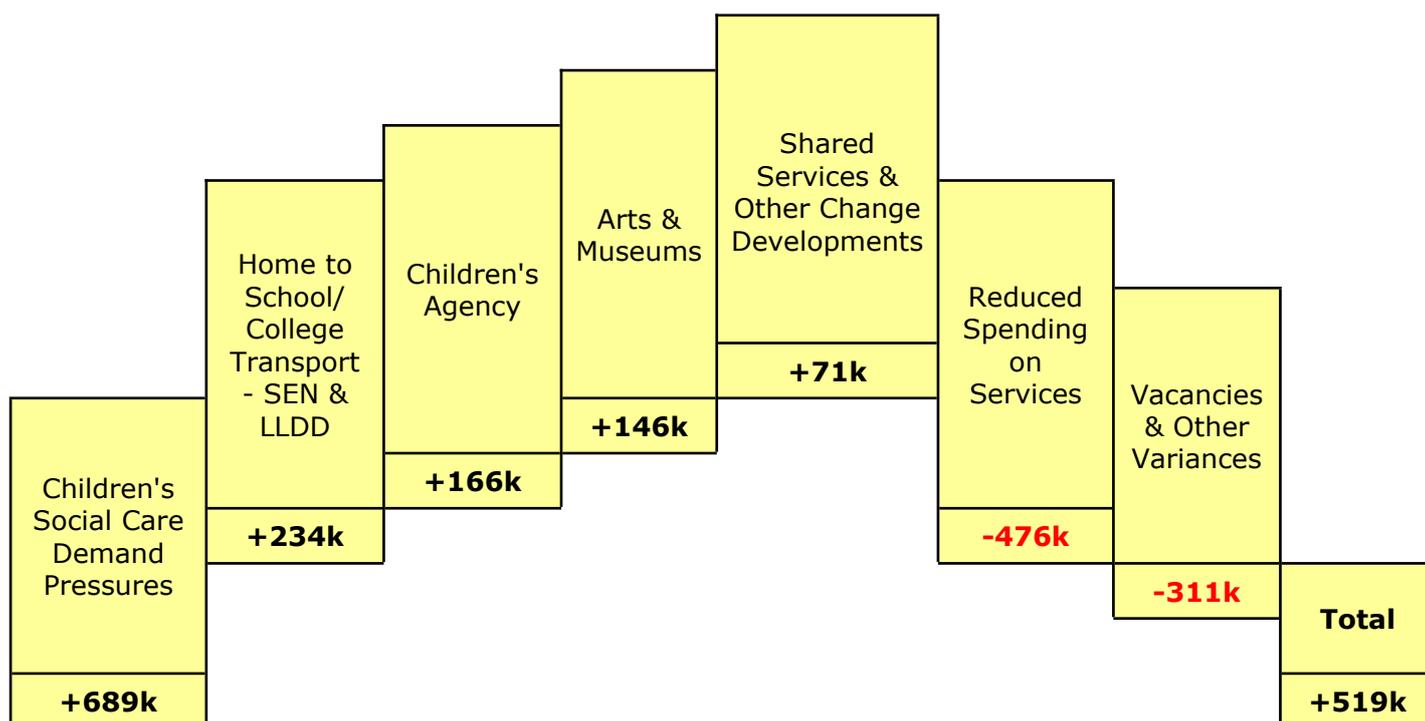
Activity	Variance £'000	Reason	Action Being Taken
Property Services and Markets Income	+458	Shortfall in income due to current rent levels.	<p>The Council has introduced two important strategies which will address the instability in the property income and reduce (ultimately remove) the shortfall in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

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

4.3 CHILDREN'S, YOUNG PEOPLE AND CULTURE

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

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



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

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

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

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

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

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

4.5 NON-SERVICE SPECIFIC

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

5.0 CAPITAL BUDGET

5.1 Capital Programme

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

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

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

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

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

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

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

5.2 Expenditure

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

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

5.3 Variances

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

5.4 Funding

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

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

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

5.5 Capital Programme Monitoring

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

6.0 HOUSING REVENUE ACCOUNT

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

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

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

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

Voids:

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

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

Arrears:

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

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

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

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

Right to Buy Sales:

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

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

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

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

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

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

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

- 6.5 There have been 36 sales in the period April to December. At this stage the total number of sales is not expected to differ significantly from the forecast therefore rental income projections have not been adjusted.
- 6.6 The Welfare Reform and Work Bill contains provision for a 1% reduction in social housing rents for 4 years from 2016/17 which will have a significant impact on future HRA resources; the impact of this and other changes contained in the Housing and Planning Bill is being assessed as information becomes available.

7.0 PRUDENTIAL INDICATOR MONITORING

- 7.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The authority's approved Prudential Indicators (affordability limits) for 2015/16 is outlined in the approved Treasury Management Strategy Statement.
- 7.2 The authority continues to monitor the Prudential Indicators on a quarterly basis and Appendix C shows the original estimates for 2015/16 (approved by Council on 25 February 2015) with the revised projections as at 31 December 2015. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first 6 months of 2015/16.

8.0 TREASURY MANAGEMENT

8.1 Investments:

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

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

- 8.1.2 All investments were made in line with Capita's suggested credit worthiness matrices and the approved limits within the Annual Investment Strategy were not breached during the first 9 months of 2015/16.
- 8.1.3 The Council has earned the following return on investments:
 Quarter 1 0.64%
 Quarter 2 0.67%
 Quarter 3 0.74%
- 8.1.4 This figure is higher than Capita's suggested budgeted investment earnings rate for returns on investments, placed for periods up to three months in 2015/16, of 0.50%

8.2 Borrowing:

- 8.2.1 External borrowing of £6.5m was undertaken in the quarter to 31st December 2015.
- 8.2.2 One loan was taken over 1.5 years and two loans taken over 3 years to take advantage of low interest rates. The loans are required to replace two more expensive longer term loans, which matured in August/September.

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

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

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

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

9.0 MINIMUM LEVEL OF BALANCES

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

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

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

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

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

10.0 EQUALITY AND DIVERSITY

10.1 There are no specific equality and diversity implications.

11.0 FUTURE ACTIONS

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

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

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

List of Background Papers:-

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

Contact Details:-

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