

NOTICE OF KEY DECISION



MEETING: CABINET
OVERVIEW & SCRUTINY COMMITTEE

DATE: 7 SEPTEMBER 2016
13 OCTOBER 2016

SUBJECT: CORPORATE FINANCIAL MONITORING REPORT –
APRIL 2016 TO JUNE 2016

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

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

TYPE OF DECISION: FOR INFORMATION

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

SUMMARY: The report informs Members of the Council's financial position for the period April 2016 to June 2016 and projects the estimated outturn at the end of 2016/17.

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

OPTIONS & RECOMMENDED OPTION Members are asked to note the financial position of the Council as at 30 June 2016

IMPLICATIONS:

Corporate Aims/Policy Framework:

Do the proposals accord with Policy Framework? Yes.

Statement by the s151 Officer:

The report has been prepared in accordance with all relevant Codes of Practice. There may be risks arising from remedial action taken to address the budget position; these will be identified by Directors at the quarterly Star Chamber meetings.

Additionally, a series of measures has been drawn up to address the extremely difficult financial situation facing the Council in 2016/17 and these are detailed in par. 3.5 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 council wide Star Chamber meeting.

Equality/Diversity implications:

No

Considered by Monitoring Officer:

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

Are there any legal implications?

Yes

Wards Affected:

All

Scrutiny Interest:

Overview & Scrutiny Committee

TRACKING/PROCESS

EXECUTIVE DIRECTOR: Steve Kenyon

Chief Executive/ Strategic Leadership Team	Cabinet	Overview & Scrutiny Committee	Council	Ward Members	Partners
15/08/16	07/09/16	13/10/16			

1.0 INTRODUCTION

- 1.1 This report informs Members of the forecast outturn for 2016/17 based upon current spend for the period 1 April 2016 to 30 June 2016 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 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 will 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 will also be 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 3:

Department	Budget £000	Forecast £000	Variance £000
Communities & Wellbeing	69,820	73,260	+3,440
Resources & Regulation	3,079	4,443	+1,364
Children, Young People & Culture	35,449	38,841	+3,392
Non Service Specific	17,188	15,387	(1,801)
TOTAL	125,536	131,931	+6,395

- 3.2 The projected overspend of **£6.395m** represents approximately **5.09%** of the total net budget of £125.536m.
- 3.3 An overview of the reasons for this variance is outlined in the table overleaf; more detailed analysis is provided in section 4 of the report.

Reason	Communities & Wellbeing £'000	Children Young People & Culture £'000	Resources & Regulation £'000	Non Service Specific £'000	TOTAL £'000
Demand Pressures	3,149	1,427	376	0	4,952
Delayed achievement of cuts options	1,314	1,811	0	0	3,125
Income Shortfall	1,334	0	1,241	0	2,575
Planned use of one-off funding	-2,325	0	0	0	-2,325
Other	-32	154	-253	-1,801	-1,932
TOTAL	3,440	3,392	1,364	-1,801	6,395

- 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 will be 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 monitor the situation and take ownership of the necessary remedial action and this is the basis on which the report is written.
- 3.6 Due to the extremely difficult financial situation facing the Council in 2016/17 the Senior Leadership Team has therefore agreed and drawn up an action plan with some immediate additional spending controls over & above usual controls.

These include:

1. Recruitment freeze on staff and new agency placements (exceptions to be signed off by SLT);
2. Release of all existing casual / agency staff (exceptions to be signed off by SLT);
3. Cease overtime / additional hours (exceptions to be signed off by SLT);
4. Enter into no new training commitments, and review existing arrangements (exceptions to be signed off by SLT);
5. Re-launch Work Life Balance options around reduced hours / purchase of leave;
6. Cease spend on discretionary budgets; stationery, office equipment etc;
7. Cease spend on IT / Communications (exceptions to be signed off by SLT);
8. Any spend greater than £250 to be signed off by Executive Director;

- 9. Any new contractual commitments greater than £5,000 (lifetime value of contract) to be signed off by SLT;
- 10. Consider "in year" budget options – e.g. previously unidentified efficiencies, review of non-key services.

3.7 These were communicated to staff on 9 August and compliance with these will 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 It is estimated that these additional measures will reduce spend pressures by approximately £1.5 million; and this is reflected in the minimum level of balances assessment at section 9.

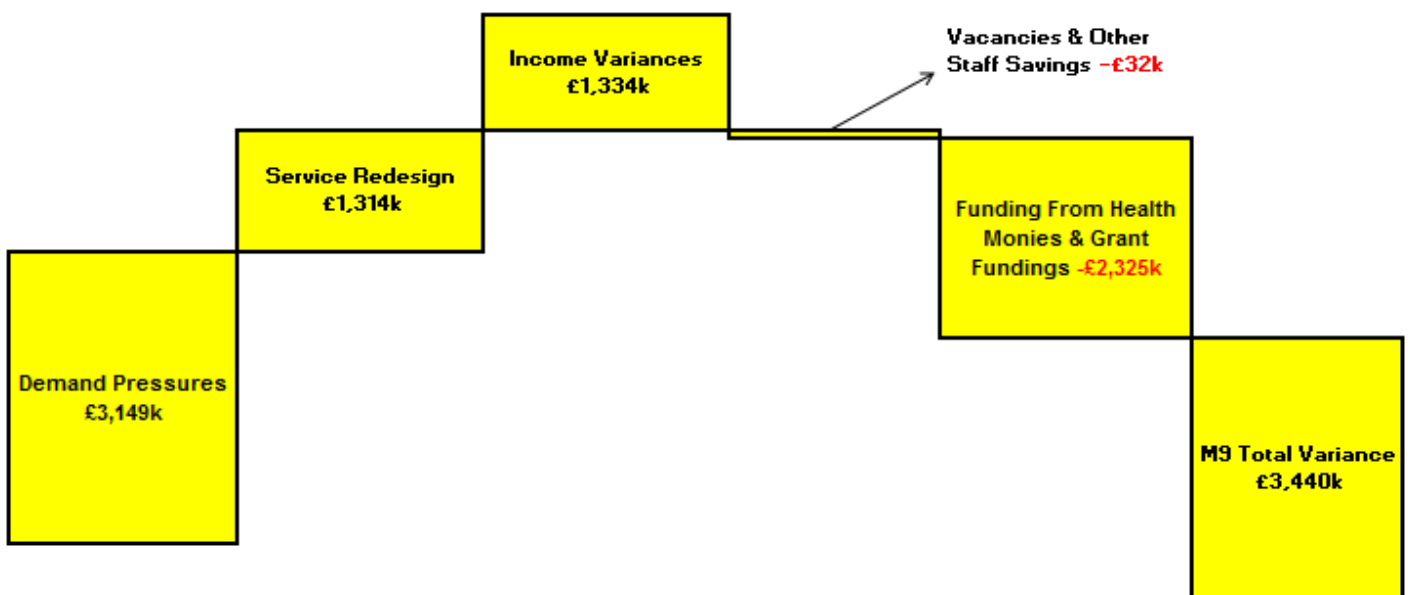
3.9 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

4.1.1 The current projected overspend for Communities and Wellbeing is **£3.440m.**

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	+3,149	<p>Care in the Community budgets particularly around Domiciliary Care, Residential Care and Self Directed Support Budgets - £2,743k.</p> <p>Training - £42k (Reason: Overspend on Premises Cost budget).</p> <p>Severance from Mutual Settlement within Grounds Maintenance - £18k.</p> <p>Budgets still to be identified from back office cuts - £60k.</p> <p>Killelea House Residential Care Home - £132k (Reason - Staffing Cost Pressure).</p> <p>Severance from 2 Mutual Settlements within Street Cleaning - £36k.</p> <p>Severance from Mutual Settlement within Highways Network Services - £18k.</p> <p>Changes in legislation regarding Leaf clearance has resulted in an increased disposal cost of £30 to £128 per tonne - £100k.</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>Review budget provision for Bury Adult Learning Centre running costs.</p> <p>Prudent spending is to be exercised.</p> <p>A review of former EX DCN back office budgets is being undertaken.</p> <p>This service is under review.</p> <p>Prudent spending is to be exercised.</p> <p>A review of vacancies and ad hoc budgets is taking place.</p> <p>In 2015/16 additional costs re. leaf clearance received one-off funding. However for 2016/17 this support is currently not available.</p>
Service redesign (Note: A number of Budgets have yet to achieve cuts target against specific schemes, as a consequence this is partly/wholly the reason for the	+1,314	<p>All service costs are being examined - £300k.</p> <p>Beverage and Cafe Service - £70k.</p> <p>Operations - £944k (Reason: cuts not identified).</p>	<p>All service costs are being examined.</p> <p>The Beverage service is being reviewed in line with the Civic review.</p> <p>An action plan is being developed to ensure the cuts target is achieved.</p>

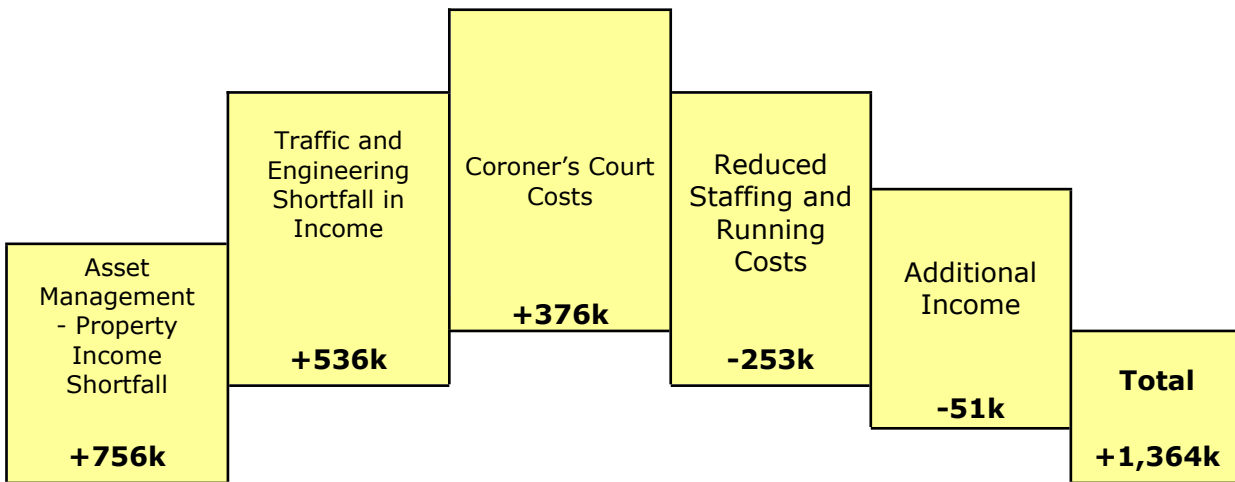
Theme	Variance £'000	Reason	Action Being Taken
overspends)			
Income variances	+1,334	<p>ACS Senior Management - £943k (Reason: Income budgets to be realigned due to the creation of Persona).</p> <p>Civics is experiencing difficulties in achieving income targets - £100k.</p> <p>Accommodation Team - (-£90k) Reason: One Off income.</p> <p>Bury Employment, Support & Training - (-£69k).</p> <p>Leisure Services is experiencing difficulties in achieving income targets - £360k.</p> <p>Trade Waste is experiencing difficulties in achieving income target - £90k.</p>	<p>Community care client income budgets are being reconfigured in light of the creation of Persona.</p> <p>Service to be rationalised including a restructure of the management team (including budget provision for a marketing post) and the amalgamation of some budgets.</p> <p>One Off income regarding project for accommodating asylum seekers.</p> <p>The expectation is that further income can be generated from increased activity.</p> <p>A Growth and Investment plan is in place, which has identified various plans / objectives e.g. more commercially focused website, new classes / equipment / new sports technology, and up skilling staff.</p> <p>A deficit action plan has been put in place.</p>
Vacancies and Other Staff Cost Savings	-32	<p>Older People Fieldwork Team - (-£10k) Reason: Maternity Leave not Backfilled.</p> <p>Quality Assurance - (-£8k) Reason: Gap in Recruitment.</p> <p>Assessment & Care Management Team - (-£14k) Reason: Gap in Recruitment.</p>	<p>Forecast underspends will be used to offset pressures within other areas of the CWB budget.</p>

Theme	Variance £'000	Reason	Action Being Taken
Funding from Health Monies & Grant Funding	-2,325	Funding to Support the demand pressures of the Care in the Community budgets – (-£2,325k).	The funding to support pressures within the community care budget is derived from a combination of historic underspends from Adult Care specific grants and Health monies.

4.2 RESOURCES AND REGULATION

4.2.1 The Resources & Regulation Department is forecasting an overall overspend of **£1.364m.**

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;

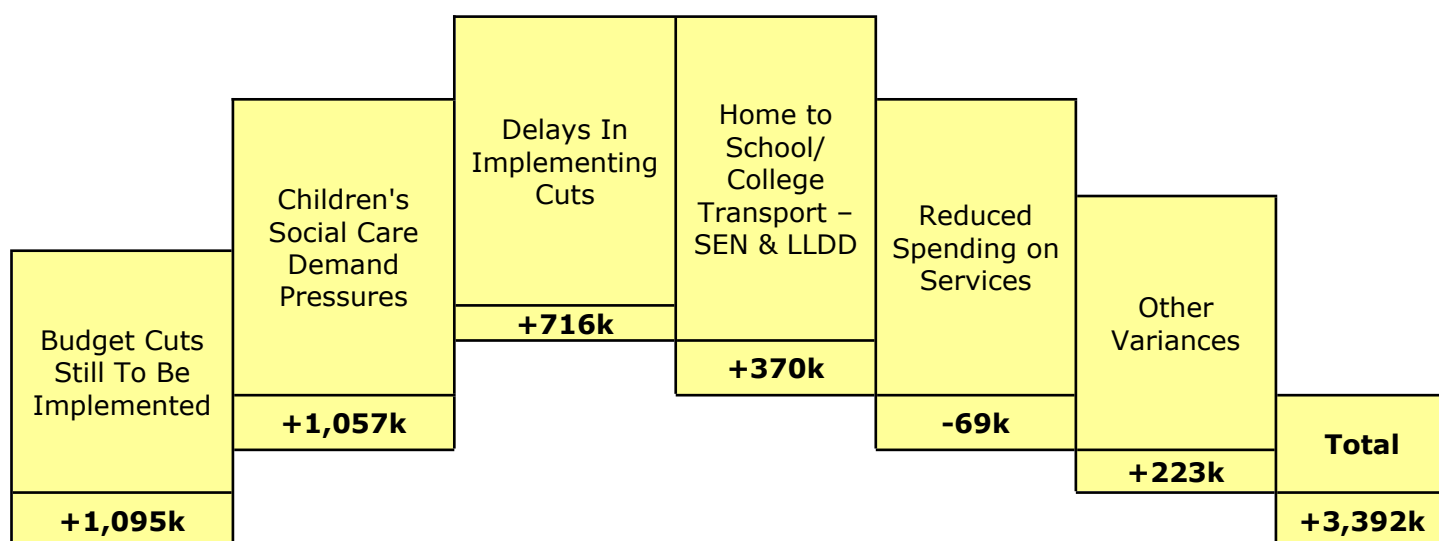
Activity	Variance £'000	Reason	Action Being Taken
Property Services	+756	Shortfall in income due to low level of rents that can be charged in the current economic climate.	<p>The Council has introduced two important strategies which will address the instability in property income.</p> <p>Through implementing 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>
Traffic & Engineering	+536	Estimated shortfalls in income relating to on- and off-street parking and parking fines (+£245k), Greater Manchester Road Activities Permit Scheme (GMRAPS) (+£92k), coring (+101k), bus lane enforcement (+£98k).	<p>Monitor income levels, and adjust expenditure where possible.</p> <p>GMRAPS scheme to be examined further.</p>

Coroners Court Costs	+376	There are legislative requirements around deaths occurring under Deprivation of Liberty Orders (DoL's) that are driving a significant increase in the volume of cases and thus costs.	Meetings being held between Coroner's Court and staff from Rochdale, Oldham and Bury Councils to assess the issue in more detail, and identify efficiencies in the service.
Reduced Staffing and Running Costs	-253	Vacant posts not filled and tightening of controllable expenditure across the department. Salaries savings in Finance & Efficiency (£59k) from Internal Audit, Accountancy and Procurement, Customer Support & Collections (£85k), HR (£91k) and Stores (£18k).	To be used to assist in reducing the estimated overspend within the department in 2016/17 and part included within the 2017/18 cuts.
Additional Income	-51	Achieved from new business from the Alarm Monitoring service.	To be used to assist in reducing the estimated overspend within the department.

4.3 CHILDREN'S, YOUNG PEOPLE AND CULTURE

4.3.1 The overall Children's, Young People & Culture budget is currently projecting an overspend of **£3.392m**.

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
Budget Cuts Still to Be Implemented	+1,095		
	Made Up of:		
Catering	+100		<p>2016/17 cuts option - £200,000.</p> <p>A number of schools have decided to make their own arrangements for the provision of school meals in their school, which has reduced the contribution to the service's fixed costs thereby worsening the financial position.</p> <p>In addition, the new CYPAD system is not fully implemented and is struggling to interface with the existing financial management information systems, meaning that the intended efficiencies to pay for the CYPAD system are not yet occurring.</p>
Statutory & Regulatory	+660		<p>At the beginning of 2016, it became apparent that the financial problems within the Dedicated Schools Grant meant that the 2016/17 cuts option "External Funding Optimisation" amounting to £900,000 would not be achieved.</p>
Advice & Assessment	+106		
Social Care services	+100		
Libraries	+109		<p>The shortfall in the required budget cuts was treated as a generic budget saving and distributed amongst the Department.</p>
Emergency Duty Team	+20		<p>Many services have struggled to meet these budget adjustments, which has led to these areas overspending.</p>

Children's Social Care Demand Pressures	+1,057		
	Made Up of:		
Leaving Care	+851	Spending on housing and further education of 19+ students who have now left our care	<p>This budget is forecast to overspend significantly on housing as the service continues to support a number of young people in high cost placements who were previously accommodated within the Children's Agency Budget.</p> <p>In 2015/16, Leaving Care overspent its budget by £387,000.</p>
Safeguarding	+172		<p>The forecast overspend is due to the budget cuts of £37,000 that will be difficult to achieve in the light of the amount of agency staff cover.</p> <p>In 2015/16, Safeguarding overspent its budget by £130,000.</p>
Fostering	+34		<p>Based on current levels of payments to foster carers, special guardianships and family and friends' carers plus adoption allowances paid.</p> <p>In 2015/16, Fostering & Adoption underspent its budget by £267,000.</p>

Delays In Implementing Cuts	+716		
	Made Up Of:		
Children's Agency Placements	+514	Continuing increased demand	<p>In 2015/16 Children's Agency overspent its budget by £207,000.</p> <p>During the consideration of the 2016/17 cuts options in September 2015, it was anticipated that this budget could manage to save £600,000 in the current financial year.</p> <p>Although higher than the budget, current spending levels are lower when compared to those in 2015/16.</p> <p>Greater savings are anticipated when the ASU (see below) becomes fully operational.</p>
Reach Out project (Adolescent Support Unit – ASU)	+202		<p>The Reach Out Project is an Invest-to-Save project setting up an ASU, with the set-up costings based on the centre beginning to operate from October 2016.</p> <p>Consequently savings have not yet been identified within the Children's Agency Placements (see above)</p>

Activity	Variance £'000	Reason	Action Being Taken
Home to School / College Transport	+370 Made Up Of:		
Home to School Transport – SEN	+300	Continuing increased demand	The forecast overspending is in line with previous years' levels. In 2015/16, the overspending was partially offset by underspendings in Bus Escorts, which are not now available in the current financial year.
Home to College Transport – LLDD	+70	Continuing increased demand	The forecast overspending is in line with previous years' levels.
Reduced Spending on Services	-69 Made Up Of:		
Home to School Transport (non-SEND)	-25		Projected underspend based on estimated cost predictions for the year. In 2015/16, the service underspent its budget by £32,000.
Short Breaks service	-44		Small forecast underspending following £300,000 contribution from the High Needs Block of the DSG. In 2015/16, the service overspent its budget by £109,000 as the contribution from the DSG was not as great as 2016/17. Currently supporting 4 high cost end of life support packages. Direct Payments is becoming the national direction of travel for key parts of the service - this will in effect reduce the costs per child/family unit of packages of care while improving outcomes and parental choice.

Other Variances	+223		
	Made Up Of:		
Gallery	+149		<p>An income budget of £135,000 was added to this budget in 2013 prior to the transfer to CYP&C. This income budget has not been achieved since its introduction.</p> <p>Repairs to the Gallery due to falling stone at the entrance £10,000. On the 11th July (different part of the entrance to the Gallery), there was another incident of falling masonry; no estimate as yet to the cost of the repair.</p> <p>Dry rot in the Fusiliers' building will cost £4,000.</p>
Statutory & Regulatory	+35		<p>Overspend due to staffing recharges not being supported by a budget and the charge (£7,500) from NW Employers for NW Sector Led Improvement Support.</p>
Other	+39		

4.4 NON-SERVICE SPECIFIC

- 4.4.1 There is a forecast net underspend of **£1.801m**, this relates primarily to the Council's Treasury Management activity (see Section 8.0, page 18 for further details).

5.0 CAPITAL BUDGET

5.1 Capital Programme

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

2016/17	£m
Original Capital Programme	25.192
Approved Slippage from 2015/16	17.015
In year adjustments and contributions	1.975
Revised Capital Allocation at Quarter 1	44.182
Estimated re-profiled projects into 2017/18	(11.848)
Revised working budget for Year at Qtr 1	32.334

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 3, and the estimated under/over-spend of the capital programme for 2016/17 is shown in Appendix A.

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

5.1.4 At the end of Quarter 1, a total of £11.848m of the 2016/17 budget has been identified for re-profiling into 2017/18. 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 £9.952m. The remainder is attributable to Highways Traffic schemes namely the A56 Prestwich Village Corridor Improvements with a total of £1.132m, an amount of £0.617m on Empty Property Strategy schemes and £0.156m in respect of Philips Park scheme awaiting a bid to Heritage Lottery Fund.

5.2 Expenditure

5.2.1 The Forecast Outturn as at Month 3 is indicated to be £32.102m and Budget Managers have reported that they expect to spend up to this amount by 31 March 2017.

5.2.2 The actual expenditure after accruals realised by the end of Month 3 totals £2.624m.

5.2.3 The main areas to record expenditure for the first quarter are:

- Property Redevelopment Schemes £1.390m
- Children, Young People and Culture £0.751m
- Highways Schemes £0.140m
- Housing Public Sector £0.195m

5.3. Variances

5.3.1 Appendix A provides details of variances for each scheme based on latest available information received from budget managers and at Month 3 it shows a projected underspend for the Programme of £0.233m. This amount is not material in relation to the size of the programme and it is expected to reduce as schemes progress and details are finalised. The schemes that are forecast to overspend are monitored and analysed by budget managers. Remedial action if required will be taken as soon as the risk is assessed and deemed to negatively affect the programme and its outcomes.

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

5.4 Funding

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

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

5.4.3 The position on capital receipts and borrowing as at the end of Month 3 is reported below. The figures in the table show the total funding requirement for the revised estimated capital programme inclusive of potential slippage into 2017/18 and the expected resources to be supported by the Council as at the end of Quarter 1 of the year.

2016/17 Use of Council Resources for Capital Investment	£m
Revised Capital Programme allocation for the year	32.334
Use of external funding and contributions	26.036
Balance of programme relying on Council resources	6.298
Use of Capital receipts and earmarked reserves	3.733
Use of Prudential Borrowing (2016/17 approved schemes)	2.249
Use of Prudential Borrowing (2015/16 schemes brought forward)	0.316
Total Council Resources used to support the Capital Budget for Year	6.298

5.5 Capital Programme Monitoring

5.5.1 The programme will be monitored closely during the year by Capital Programme Management Group and Management Accountancy with an aim to deliver schemes on cost and time with minimum slippage into 2017/18.

6.0 HOUSING REVENUE ACCOUNT

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

6.2 The latest estimates show a projected surplus (working balance carried forward) of £1.010m at the end of 2016/17. The projected outturn shows a working balance carried forward of £0.989m. 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 June was on average 1.98% which is worse than the 1.6% void target level set in the original budget. If this performance continues for the rest of the year there will be a reduction in rental income of £114k over the original budget; the projections of rental income in Appendix B have been calculated on this basis. The level of void loss continues to be affected by the number of decant properties being provided for those tenants affected by the Boxing Day floods however this should now be decreasing so the overall void rate should improve.

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

Arrears:

The rent arrears at the end of June totalled £1.214m, an increase of 5% since the end of March. Of this total £0.541m relates to former tenants and £0.673m relates to current tenants.

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 June, projected for the full year, this provision would require an additional contribution of £0.166m to be made.

The 2016/17 HRA estimates allow for additional contributions to the provision totalling £0.481m, £0.180m for uncollectable debts and £0.301m to reflect the potential impact that welfare benefit changes could have on the level of rent arrears. Therefore there is a potential underspend of £0.315m. The projected outturn has not been amended to reflect this as rent arrears are volatile and the impact of increased numbers of Universal Credit cases coupled with further benefit changes is ongoing.

Right to Buy Sales:

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

This has resulted in an increase in the number of applications and ultimately sales. There were 41 sales in 2014/15 and this increased to 47 sales in 2015/16.

The forecast for 2016/17 was set at 50, this being an increase of 6 on the level of sales assumed for Bury in the Government's self-financing valuation.

From July 2014 the maximum Right to Buy discount increased to £77,000 and the maximum percentage discount on houses increased from 60% to 70% (in line

with the discounts allowed on flats). The maximum discount now stands at £77,900.

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

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

There have been 16 sales in the period April to June. This is an increase of 7 over the same period last year with sales continuing to be brisk in the early part of the second quarter. Based on this level of activity it would seem likely that the total number of sales will significantly exceed the forecast. Therefore the forecast has been amended to 84, with the additional 34 forecast sales resulting in a reduction in rental income of around £64k in the current year; the projections of rental income in Appendix B have been calculated on this basis.

- 6.5 Starting from April this year properties becoming empty are re-let at their higher target rents; based on the properties moved to target rents in the first quarter of the year it is estimated that an additional £111k of rental income will be generated in the current year; the projections in Appendix B have been calculated on this basis.
- 6.6 The Welfare Reform and Work Act requires a 1% reduction in social housing rents for 4 years from 2016/17 which has a significant impact on future HRA resources; the impact of this and other changes contained in the Housing and Planning Act are being assessed as information becomes available.

7.0 PRUDENTIAL INDICATOR MONITORING

- 7.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The authority's approved Prudential Indicators (affordability limits) for 2016/17 is outlined in the approved Treasury Management Strategy Statement.
- 7.2 The authority continues to monitor the Prudential Indicators on a quarterly basis and Appendix C shows the original estimates for 2016/17 (approved by Council on 24 February 2016) with the revised projections as at 30 June 2016. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first three months of 2016/17.

8.0 TREASURY MANAGEMENT

8.1 Investments:

- 8.1.1 At the 30th June 2016 the Council's investments totalled £25.6 million and comprised:-

Type of Investment	£ M
Call Investments (Cash equivalents)	13.6
Fixed Investments (Short term investments)	12.0
Total	25.6

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 quarter of 2016/17.

8.1.3 The Council has earned the following return on investments:
 Quarter 1 0.92%

8.1.4 This figure is higher than Sector’s suggested budgeted investment earnings rate for returns on investments, placed for periods up to three months in 2016/17, of 0.50%.

8.1.5 The referendum on the UK remaining part of the EU took place on 23 June with the UK voting to leave the EU. The medium / long term economic impact of this decision is uncertain at this stage but will be monitored closely.

8.1.6 Since the Brexit referendum, senior finance staff have been in discussion with the Council’s brokers to seek assurances as to the security of the Council’s investments. The Council has adopted a “low risk” strategy, by only investing in UK high street banks, with the focus being “Security” then “Liquidity” and then “Yield”. Brokers advise that security is not a significant risk given this approach, however yield may be affected in the light of reduced interest rates. The brokers are currently reviewing the portfolio to establish whether any further improvements can be made.

8.2 Borrowing:

8.2.1 External borrowing of £7 million was undertaken in the quarter to 30th June 2016. 3 loans were taken over 2 years to take advantage of low interest rates. The loans are required to replace 5 loans, which matured in April 2016.

8.2.2 At 30th June 2016 the Council’s debts totalled £191.511 million and comprised:-

	30 June 2016		
	Principal		Avg. Rate
	£000	£000	
Fixed rate funding			
PWLB Bury	131,453		
PWLB Airport	2,555		
Market Bury	57,500	191,508	
Variable rate funding			
PWLB Bury	0		
Market Bury	0	0	
Temporary Loans / Bonds	3	3	
Total Debt		191,511	3.95%

8.2.3 The overall strategy for 2016/17 is to finance capital expenditure by running down cash/investment balances and taking shorter term borrowing rather than more expensive longer term loans. With the reduction of cash balances the level of short term investments will fall. Given that investment returns are likely to remain low for the financial year 2016/17, then savings will be made by running down investments and taking shorter term loans rather than more expensive long term borrowing.

8.2.4 It is anticipated that further borrowing will be undertaken during this financial 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 2016 per Accounts	10.063
Less : Minimum balances to be retained in 2016/17	-4.250
Less : Forecast overspend at Month 3	-6.395
Add: Forecast Impact of in-year measures	+1.500
Forecast Available balances at 31 March 2017	+0.918

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 cuts options, there is no reason at present to take the minimum level of balances above the existing level of £4.250m.

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

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

10.0 EQUALITY AND DIVERSITY

10.1 There are no specific equality and diversity implications.

11.0 FUTURE ACTIONS

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

11.2 Star Chambers have been diarised for Quarters 1, 2 & 3 and a Council wide Q1 meeting has already taken place in August 2016.

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

List of Background Papers:-

Finance Working Papers, 2016/17 held by the Interim Executive Director of Resources & Regulation.

Contact Details:-

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