

NOTICE OF KEY DECISION



Agenda Item	
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MEETING: CABINET
OVERVIEW & SCRUTINY COMMITTEE

DATE: 14 DECEMBER 2016
14 DECEMBER, 2016

SUBJECT: CORPORATE FINANCIAL MONITORING REPORT –
APRIL 2016 TO SEPTEMBER 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 September 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 September 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. 3.7 on page 5 of this report.

Statement by Interim Executive Director of Resources & Regulation:

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

This report draws attention to the fact that, based on the most prudent of forecasts, several budget hotspots 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
07/11/16	14/12/16	14/12/16			

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 September 2016 in respect of the revenue budget, capital budget, treasury management and the Housing Revenue Account.
- 1.2 Projections are based on current trends, information, and professional judgement from service managers and finance staff.
- 1.3 The revenue budget projections highlight the fact that budget pressures exist in some key areas and it 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 6:

Department	Budget £000	Forecast £000	Variance £000
Communities & Wellbeing	69,873	72,468	+2,595
Resources & Regulation	3,396	4,551	+1,155
Children, Young People & Culture	35,323	38,306	+2,983
Non Service Specific	16,943	15,131	(1,812)
TOTAL	125,535	130,456	+4,921

- 3.2 The projected overspend of **£4.921m** represents approximately **3.92%** of the total net budget of £125.535m.
- 3.3 An overview of the reasons for this variance is outlined in the table overleaf; more detailed analysis is provided in section 4 of the report.

Month 6 Reason	Communities & Wellbeing £'000	Children Young People & Culture £'000	Resources & Regulation £'000	Non Service Specific £'000	TOTAL £'000
Demand Pressures	3,089	1,529	410	254	5,282
Delayed Achievement of Cuts Options	2,196	0	0	0	2,196
Non-Achievement of Cuts Options	1,017	1,420	62	0	2,499
Income Shortfall	91	0	1,226	0	1,317
Planned use of one-off funding	-2,325	292	0	0	-2,033
Impact of 10 Control Measures	-1,607	-409	-334	0	-2,350
Other	134	151	-209	-2,066	-1,990
TOTAL	2,595	2,983	1,155	-1,812	4,921

- 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 10.

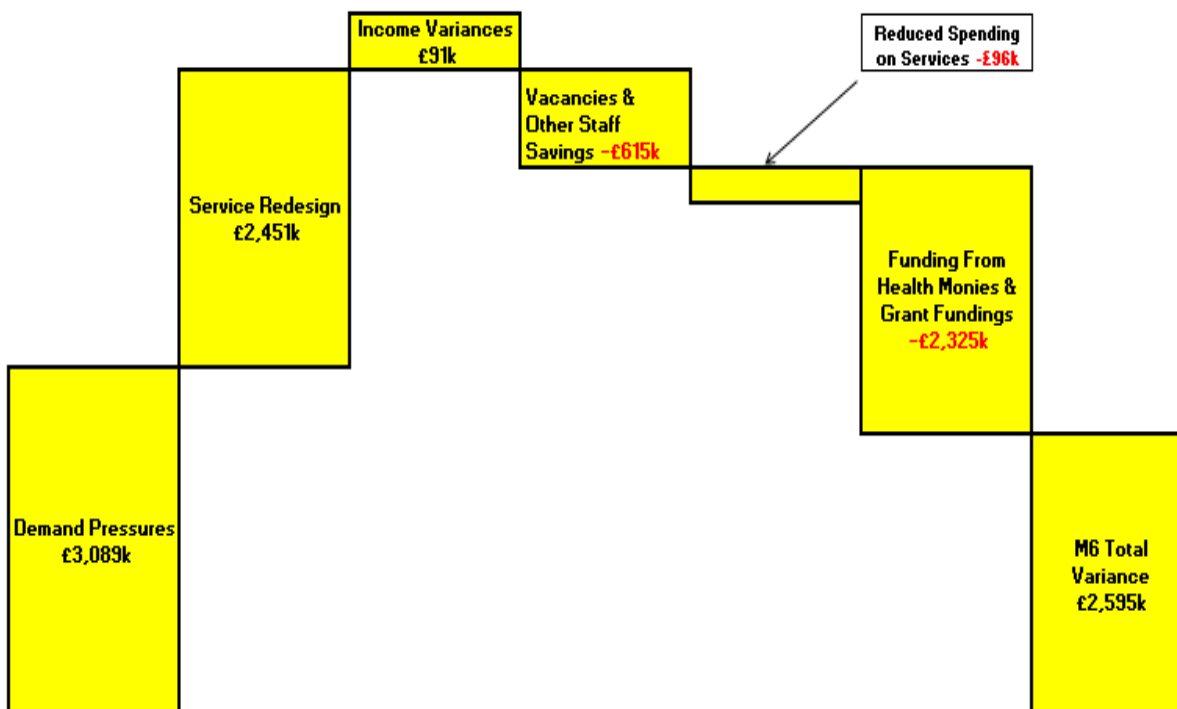
3.9 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

4.1.1 The current projected overspend for Communities and Wellbeing is **£2.595m**.

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
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<p>Demand Pressures</p>	<p>+3,089</p>	<p>Care in the Community budgets- £2,432k (Reason: Pressure largely around Domiciliary Care, Residential Care and Self Directed Support Budgets).</p> <p>Falcon & Griffin Care Home - £104k (Reason: Staffing Budget Pressure).</p> <p>Sheltered housing - £4k (Reason: Variance not material and is the sum of several small overspends).</p> <p>Safeguarding Team - £255k (Reason: Deprivation of Liberty Safeguarding Pressure).</p> <p>Killelea - £128k (Reason: Staffing Cost Pressures).</p> <p>Assessment & Care Management - £55k (Reason: Staffing Cost Pressures).</p> <p>Adult Care Service Training - £42k (Reason: Bury Adult Learning Centre rental costs).</p> <p>Grounds Maintenance - £33k (Reason: Mutual Settlement Payments).</p> <p>Street Cleaning - £36k (Reason: Mutual Settlement Payments).</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>Overspend is the result of an unavoidable staffing pressure.</p> <p>No action other than continued monthly budget monitoring.</p> <p>The supreme court judgement of P V Cheshire West and Chester Council and P&Q v Surrey County Council has resulted in making many more people eligible for DoLs resulting in a severely increased caseload for the team.</p> <p>This service is under review.</p> <p>The £55k overspend is only 1.5% of the Net £3.6m A&CM. However, Senior management will continue to review staffing pressures and act accordingly.</p> <p>This overspend is more than offset by the projected underspend within HR staff budget.</p> <p>Seek to reduce spending on services.</p> <p>Seek to reduce spending on services.</p>
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<p>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)</p>	<p>+2,451</p>	<p>ACS Senior Management - £1,201k (Reason: Pooling of Unallocated 2016/17 Savings).</p> <p>Reablement Service - £410k (Reason: Delay in achieving savings target).</p> <p>Urban Renewal Holding Account - £72k (Reason: Delay in achieving savings target).</p> <p>Domestic refuse collection- £400k (Reason: Delay in achieving Round Optimisation Savings).</p> <p>Leisure - £360k (Reason: Delay in achieving savings).</p> <p>Finance - £8k (Reason: Delay in Achieving Savings).</p>	<p>For reasons of clarity/ transparency a decision was taken by CWB Senior Mangement team to pool the remaining unallocated 16/17 savings into the ACS senior management budget. Proactive action plans are being developed across all AD areas of responsibility to allocate and achieve saving target.</p> <p>Proactive action plans being developed to allocate and achieve saving target.</p> <p>Proactive action plans being developed to allocate and achieve saving target.</p> <p>A financial recovery plan is in place looking at a range of options including new technology and more efficient ways of working.</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 of staff.</p> <p>Proactive action plan in place to achieve remaining saving target.</p>
<p>Income Variances</p>	<p>+91</p>	<p>Accommodation Team - (£90k) (Reason: "one-off" income).</p> <p>Housing Choices - £40k (Reason: Income Shortfall).</p> <p>Integrated Community Equipment Service (ICES) - (£32k).</p> <p>Employment Support - (£69k) (Reason: CCG Income Forecast greater than 16/17 budget provision).</p> <p>Civics - £100k (Reason: Difficulty in achieving income targets).</p> <p>Beverage and Cafe Service - £80k (Reason: Difficulty in achieving income targets).</p> <p>Public Convenience - (£8k) (Reason: Additional income from TFGM regarding bus station Public conveniences).</p> <p>Trade Waste - £70k (Reason: Difficulty in achieving income targets).</p>	<p>Additional income relates to an income stream regarding a project for accommodating asylum seekers).</p> <p>This service is identifying opportunities to reduce spending on services.</p> <p>Continue to monitor CCG income activity at a prudent level.</p> <p>This is a self funded budget which is expected to exceed income target.</p> <p>Service to be reviewed including a restructure of the management team and the merger of a number of budgets.</p> <p>The Beverage Service is being reviewed in line with the Civics review.</p> <p>Forecast underspends will be used to offset pressures within other areas of the CWB budget.</p> <p>A deficit action plan has been put in place.</p>

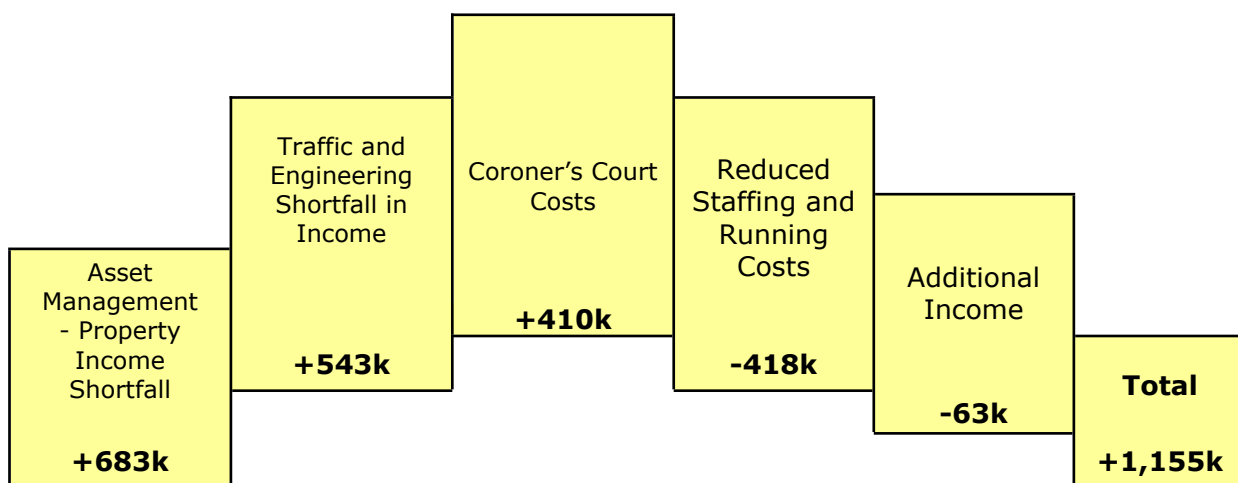
Vacancies and Other Staff Cost Savings	-615	<p>Vacancy within Park Rangers has not been filled - (£10k) (Reason: Staff Vacancies).</p> <p>Communities (£44k) (Reason: Staffing Vacancies).</p> <p>Sheltered Housing Support (£68k) (Reason: Staffing Vacancies).</p> <p>Performance & Housing Strategy (£1k) (Reason: Staffing Vacancies).</p> <p>Policy & Improvement (£28k) (Reason: Staffing Vacancies).</p> <p>Customer Services & Customer Engagement (£53k) (Reason: Staffing Vacancies).</p> <p>Asset Management (£57k) (Reason: Staffing Vacancies).</p> <p>Commissioning & Procurement Team (£104k) (Reason: Staffing Vacancies).</p> <p>Strategic Commissioning Team (£92k) (Reason: Staffing Vacancies).</p> <p>Performance & Intelligence Team (£58k) (Reason: Staffing Vacancies).</p> <p>Older People Mental Health Team (£38k) (Reason: Staffing Vacancies)</p> <p>HR Staffing (£62k) (Reason: Staffing Vacancies)</p>	<p>Savings to be used to support other areas within Parks and Countryside.</p> <p>Forecast underspends may be used to offset pressure within other areas of adult care service budgets.</p>
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Reduced Spending on Services	-96	Preventing Homelessness – (£85k) (Reason: Reduced funding on landlord accreditation schemes, and reduced spend on bond scheme and Youth Homelessness). Sheltered Amenity, Carelink and Head of Commissioning & Strategy – (£11k). (Reason: Net result of small underspends across the three budgets).	Forecast underspends may be used to offset pressure within other areas of adult care service budgets. Forecast underspends may be used to offset pressure within other areas of adult care service budgets.
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 Care-specific grants and Health monies.

4.2 RESOURCES AND REGULATION

4.2.1 The Resources & Regulation Department is forecasting an overall overspend of **£1.155m.**

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;

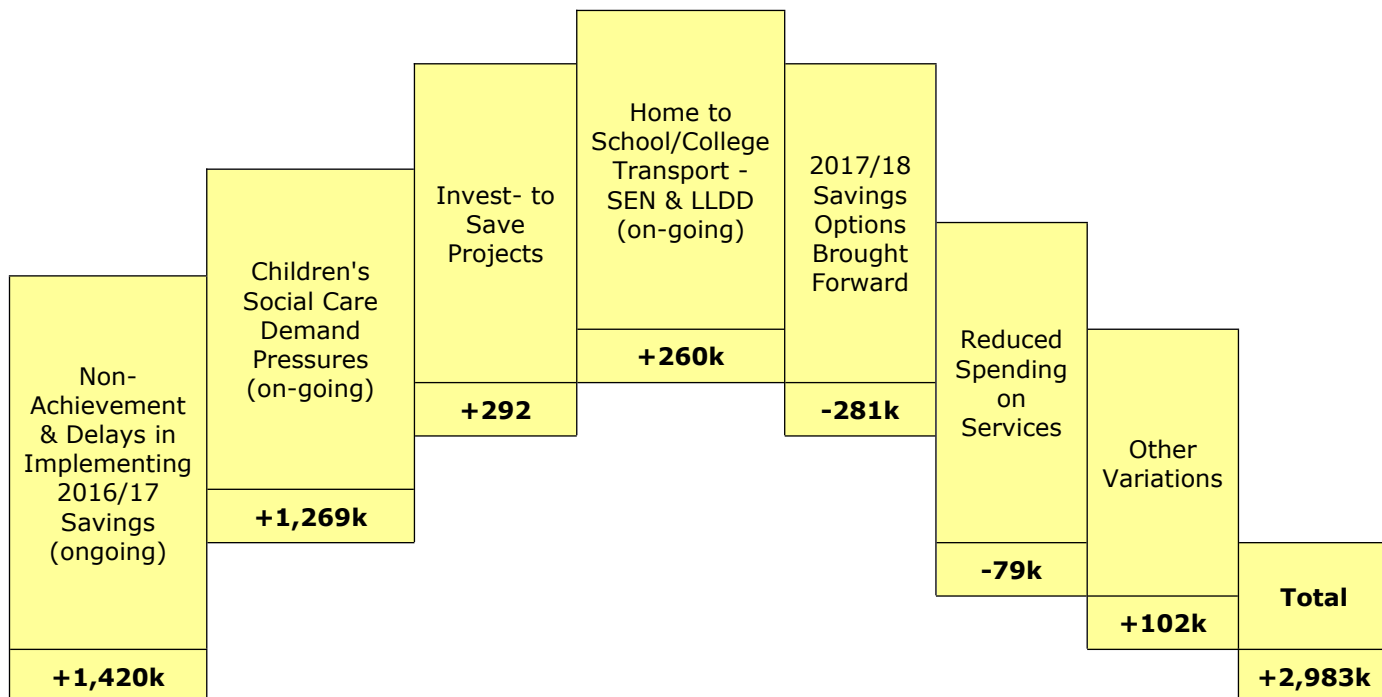
Activity	Variance £'000	Reason	Action Being Taken
Property Services	+683	Shortfall in income due to low level of rents that can be charged in the current economic climate.	<p>The Council has introduced two important strategies which will address the instability in property income.</p> <p>Through implementing 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	+543	Estimated shortfalls in income relating to on- and off-street parking and parking fines (+£249k), Greater Manchester Road Activities Permit Scheme (GMRAPS) (+£78k), coring (+110k), bus lane enforcement (+£106k).	<p>Monitor income levels, and adjust expenditure where possible.</p> <p>GMRAPS scheme to be examined further.</p>

Coroners Court Costs	+410	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	-418	<p>Vacant posts not filled and tightening of controllable expenditure across the department.</p> <p>Salaries and running costs savings in Finance & Efficiency Management (£114k), Internal Audit, Accountancy & Procurement (£90k), Customer Support & Collections (£111k), HR (£73k) and Stores (£30k).</p>	To be used to assist in reducing the forecast overspend within the department in 2016/17 and part included within the 2017/18 cuts.
Additional Income	-63	Achieved from new business from the Alarm Monitoring service (£35k) and the Payroll service (£28k).	To be used to assist in reducing the estimated overspend within the department.

4.3 CHILDREN’S, YOUNG PEOPLE AND CULTURE

4.3.1 The overall Children’s, Young People & Culture budget is currently projecting an overspend of **£2.983m**.

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
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Non-Achievement & Delays in Implementing 2016/17 Savings	+1,420		
Children's Agency Placements	+600	Continuing increased demand	<p>During the consideration of the 2016/17 savings options in September 2015, it was anticipated that this budget could manage to save £600,000 in the current financial year.</p> <p>As the current forecast spending is now more than £¾ million above the approved budget of £3,673,000 this saving cannot be achieved in 2016/17.</p> <p>Savings are fully anticipated when the Adolescent Support Unit (see 'Invest-to-Save' section) becomes fully operational later in the financial year. Consequently these savings have been included within the 2017/18 Savings Options.</p>
Arts	+136		<p>An income budget of £136,000 was added to this budget in 2013 prior to the transfer to CYP&C. This income budget has not been achieved since its introduction.</p>
Statutory & Regulatory	+584		<p>At the beginning of 2016, it became apparent that the financial problems within the Dedicated Schools Grant meant that the 2016/17 savings option "External Funding Optimization" amounting to £900,000 would not be achieved.</p> <p>The shortfall in the required budget savings was treated as a generic budget saving and distributed amongst the Department.</p> <p>This part of the Department has struggled to meet these budget adjustments, meaning that the saving cannot be achieved.</p> <p>The original forecast overspending has reduced by £164,000 following the introduction of the "10 Measures".</p>
Catering	+100		<p>2016/17 savings 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 struggling to interface with the existing financial management information systems, meaning that the intended efficiencies to pay for the CYPAD system will not occur.</p>

Children's Social Care Demand Pressures	+1,269		
Leaving Care	+749	Spending on housing and further education of 19+ year old students who have now left our care.	This budget is forecast to overspend significantly on housing as the service continues to support a number of young people in high cost placements who were previously accommodated within the Children's Agency Budget. The overspending is lower than at month 3 due to increased external grants and reduced costs.
Safeguarding	+259		The forecast overspend is due to the levels of spend on agency staff cover, coupled with a significant increase in external legal fees.
Unaccompanied Asylum Seekers' Children (UASC)	+35		An additional 3 young people presented themselves as UASC cases in August. 2 of these young people are under 16 and all 3 have been placed in Independent Fostering Agencies at £650 to £720 per week.
Advice & Assessment	+42		Additional staffing and spending to meet increased demand.
Children's Agency	+184		Fieldwork placements remain volatile, including a high cost fieldwork residential placement of approx £7,000 per week from mid-October until the end of the financial year. NB the forecast does not include any additional cases that may occur up to the end of March 2017. This overspending is in addition to the non-achievement of the £600,000 2016/17 Savings Option shown above.
Invest To Save Projects	+292		
Reach Out project (Adolescent Support Unit – ASU)	+235		The Reach Out project is an ASU that will lead to better provision for young people in a much lower cost setting than external residential provision. The set-up costings are based on the centre beginning to operate during the late Autumn 2016. Future on-going costs will be more than offset by savings mainly within the Children's Agency budget (see above).

Arts	+57		The increase in overspend is due to the Invest to Save that has been agreed to be extended to January 2018, with the aim that it will generate income in future years.
Home to School / College Transport – SEN & LLDD	+260 Made Up Of:		
Home to School Transport – SEND (Special Educational Needs & Disabilities)	+200	Continuing increased demand	The forecast overspending is lower than previously shown as from the start of the current academic year, beginning in September, there are fewer transport schedules needed. In previous years, the overspending was partially offset by underspendings on Bus Escorts, which are not now available in the current financial year.
Home to College Transport – LLDD (Post-16 Learners with Learning Difficulties & Disabilities)	+60	Continuing increased demand	The forecast overspending is in line with previous years' levels.
2017/18 Savings Options Brought Forward	-281 Made Up Of:		
Early Years	-104		Non-filling of vacancies and reduced spending.
Finance and Human Resources	-50		Non-filling of vacancies and reduced spending.
Pension payments to former teachers and lecturers	-127		Declining numbers of former employees eligible to be members of the Teachers Pension Scheme. These enhanced lifetime pension benefits above the standard scheme were mainly awarded prior to April 1993 as a means of reducing the number of staff employed in schools and FE colleges.
Reduced Spending on Services	-79 Made Up Of:		
Home to School Transport (non-SEND)	-9		Projected underspend based on estimated cost predictions for the year.

Short Breaks service	-70		<p>This forecast reflects the current level of support for children with disabilities. NB any additional cases or changes in the level of care will affect the budget position.</p> <p>Currently supporting 4 high cost end of life support packages.</p> <p>Direct Payments are 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.</p> <p>These payments can be funded through the High Needs Block of the Dedicated Schools Grant. In 2016/17, the service has received funding of £300,000, which is helping to alleviate some of the financial pressures on the Department's General Fund budget.</p>
Other	+102		
Social Care Management	Made Up Of: +77		<p>Additional spend on agency Information Officer and consultancy cover to the end of August.</p> <p>The Strategic Lead for Quality Assurance started in September.</p> <p>Current increase in spending is due to additional agency costs following the Ofsted Inspection recommendations.</p> <p>NB the costs of these in 2017/18 and beyond will have to be met from the Department's 2017/18 budget.</p>
Admin	-26		<p>Non-filling of vacancies and reduced spending levels in accordance with the "10 Measures".</p>
Statutory & Regulatory	+32		<p>Overspend due to staffing recharges not being supported by a budget and the charge from NW Employers for NW Sector Led Improvement Support.</p>
Other	+19		<p>Mainly increased costs for Looked After Children.</p>

4.4 NON-SERVICE SPECIFIC

4.4.1 There is a forecast net underspend of **£1.812m**. An overspend of £254k on Corporate Management costs is due to an increase in costs paid to GMCA and AGMA. This is offset by an underspend by the Council's Treasury Management activity (see Section 8.0, page 21 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 September 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	2.368
Revised Capital Allocation at Quarter 2	44.575
Estimated re-profiled projects into 2017/18	(12.606)
Revised working budget for Year at Qtr 2	31.969

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 6, and the estimated under/overspend 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 Quarter2, a total of £12.606m of the 2016/17 budget has been identified for re-profiling into 2017/18. Most of this amount is attributed to Children Services Projects where the schemes are funded mainly by grants from Department of Education to a total of £9.334m.

The remainder is attributable to Highways Traffic Calming schemes namely the A56 Prestwich Village Corridor Improvements with a total of £1.132m, an amount of £0.617m on Empty Property Strategy schemes, Street Lighting Invest to Save of £0.545m, other Highways schemes to a total of £0.822m and Planning schemes of £0.156m.

5.2 Expenditure

5.2.1 The Forecast Outturn as at Month 6 is indicated to be £32.100m 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 6 totals £10.742m.

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

- Property Redevelopment Schemes £1.711m
- Children's, Young People and Culture £2.709m
- Highways Schemes £1.042m
- Housing Public Sector £4.062m

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 6 it shows a projected overspend for the Programme of £0.131m. This amount is not material in relation to the size of the programme and it is expected to reduce by quarter three as schemes progress and more details of schemes underway are finalised. The projects that are forecasted to overspend are monitored and analysed by budget managers. There are a number of remedial actions that can be applied if required and which will be applied as soon as the risk is assessed and deemed to negatively affect the programme or 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 of the capital receipts and borrowing as at the end of Month 6 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 2 of the year.

2016/17 Use of Council Resources for Capital Investment	£m
Revised Capital Programme allocation for the year	31.969
Use of external funding and contributions	28.678
Balance of programme relying on Council resources	3.291
Use of Capital receipts and earmarked reserves	1.271
Use of Prudential Borrowing (2016/17 approved schemes)	1.704
Use of Prudential Borrowing (2015/16 schemes brought forward)	0.316
Total Council Resources used to support the Capital Budget for Year	3.291

5.5 Capital Programme Monitoring

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

6.0 HOUSING REVENUE ACCOUNT

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

6.2 The latest estimates show a projected surplus (working balance carried forward) of £1.010m at the end of 2016/17. The projected outturn shows a working balance carried forward of £0.976m. 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 September was on average 1.9% which is worse than the 1.6% void target level set in the original budget but an improvement on the 1st quarter position. If this performance continues for the rest of the year there will be a reduction in rental income of £90k over the original budget; the projections of rental income in Appendix B have been calculated on this basis. The level of void loss has been affected by the number of decant properties being provided for those tenants affected by the Boxing Day floods however this should not be a factor in the performance for the rest of the 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 September totalled £1.266m, an increase of 9.6% since the end of March. Of this total £0.514m relates to former tenants and £0.752m relates to current tenants. Approximately £0.210m 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 September, projected for the full year, this provision would require an additional contribution of £0.328m 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 £0.153m. 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 last year.

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 27 sales in the period April to September. This is an increase of 7 over the same period last year. Based on this level of activity it would seem likely that the total number of sales will exceed the forecast but not by as significant a number as was suggested by the 1st quarter's activity.

Therefore the forecast has been amended from 84 to 63, with the additional 13 forecast sales (over the original budgeted figure of 50) resulting in a reduction in rental income of around £25k 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 half of the year (403 properties) it is estimated that an additional £121k of rental income will be generated in the current year; the projections in Appendix B have been calculated on this basis.
- 6.6 The Welfare Reform and Work Act requires a 1% reduction in social housing rents for 4 years from 2016/17 which has a significant impact on future HRA resources; the impact of this and other changes contained in the Housing and Planning Act are being assessed as information becomes available. It has been confirmed that the 1% reduction will apply to rents of Sheltered properties from next year.

7.0 PRUDENTIAL INDICATOR MONITORING

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

8.0 TREASURY MANAGEMENT

8.1 Investments:

- 8.1.1 At the 30th September 2016 the Council's investments totalled £28.8 million and comprised:-

Type of Investment	£ Million
Call Investments (Cash equivalents)	18.8
Fixed Investments (Short term investments)	10.0
Total	28.8

- 8.1.2 All investments were made in line with Capita's suggested credit worthiness matrices and the approved limits within the Annual Investment Strategy were not breached during the second quarter of 2016/17.
- 8.1.3 The Council has earned the following return on investments:
Quarter 1 0.92%
Quarter 2 0.83%
- 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%.

8.2 Borrowing:

- 8.2.1 External borrowing of £10 million was undertaken in the quarter to 30th September 2016. 2 loans were taken over 2 and 5 years respectively to take advantage of low interest rates. The loans are required to replace a loan, which matured in July 2016.
- 8.2.2 At 30th September 2016 the Council's debts totalled £196.511 million and comprised:-

		30 September 2016		
		Principal		Avg. Rate
		£000	£000	
Fixed rate funding				
	PWLB Bury	131,453		
	PWLB Airport	2,555		
	Market Bury	62,500	196,508	
Variable rate funding				
	PWLB Bury	0		
	Market Bury	0	0	
Temporary Loans / Bonds		3	3	
Total Debt			196,511	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.

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 6	-4.921
Forecast Available balances at 31 March 2017	+0.892

9.2 Based on the information contained in this report, on the risk assessments that have been made at both corporate and strategic level, on the outturn position for 2016/17 and using information currently to hand on the likely achievement of cuts options, there is no reason at present to take the minimum level of balances above the existing level of £4.250m.

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

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

10.0 EQUALITY AND DIVERSITY

10.1 There are no specific equality and diversity implications.

11.0 FUTURE ACTIONS

- 11.1 Budget monitoring reports will continue to be presented to the Strategic Leadership Team on a monthly basis and on a quarterly basis to the Cabinet, Overview & Scrutiny Committee, and Audit Committee.
- 11.2 Star Chambers will take place for Quarters 2 & 3 whilst a Council wide Q1 meeting has already been held 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.

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