

NOTICE OF KEY DECISION



**Agenda
Item**

MEETING: **OVERVIEW & SCRUTINY COMMITTEE
CABINET**

DATE: **16 FEBRUARY, 2017
22 FEBRUARY, 2017**

SUBJECT: **CORPORATE FINANCIAL MONITORING REPORT –
APRIL 2016 TO DECEMBER 2016**

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

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

TYPE OF DECISION: **FOR INFORMATION**

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

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

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

**OPTIONS &
RECOMMENDED OPTION** Members are asked to note the financial position of the Council as at 31 December 2016.

IMPLICATIONS:

**Corporate Aims/Policy
Framework:**

Do the proposals accord with Policy Framework? Yes.

Statement by the s151 Officer:

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

Additionally, a series of measures were drawn up to address the extremely difficult financial situation facing the Council in 2016/17 and these are detailed in par. 3.6 on pages 4 and 5 of this report.

Statement by Interim Executive Director of Resources & Regulation:

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

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

Members and officers will be examining these areas in more detail at the council wide Star Chamber meeting.

Equality/Diversity implications:

No

Considered by Monitoring Officer:

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

Are there any legal implications?

Yes

Wards Affected:

All

Scrutiny Interest:

Overview & Scrutiny Committee

TRACKING/PROCESS

EXECUTIVE DIRECTOR: Steve Kenyon

Chief Executive/ Strategic Leadership Team	Cabinet	Overview & Scrutiny Committee	Council	Ward Members	Partners
06/02/17	22/02/17	16/02/17			

1.0 INTRODUCTION

- 1.1 This report informs Members of the forecast outturn for 2016/17 based upon current spend for the period 1 April 2016 to 31 December 2016 in respect of the revenue budget, capital budget, treasury management and the Housing Revenue Account.
- 1.2 Projections are based on current trends, information, and professional judgement from service managers and finance staff.
- 1.3 The revenue budget projections highlight the fact that budget pressures exist in some key areas and it is necessary to continue to examine options for improving the situation further.

2.0 BUDGET MONITORING PROCESSES

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

3.0 SUMMARY OF REVENUE BUDGET POSITION

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

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

- 3.2 The projected overspend of **£2.831m** represents approximately **2.25%** of the total net budget of £125.535m. This is a reduction in the projected overspend from both months 3 and 6.
- 3.3 An overview of the reasons for this variance is outlined in the table overleaf; more detailed analysis is provided in section 4 of the report.

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

- 3.4 Members need to be aware that financial reporting involves an element of judgement, and this particularly applies to the treatment of budget pressures.
- 3.5 However it is felt appropriate to alert Members to potential problems at earliest possible stage so that they can monitor the situation and take ownership of the necessary remedial action and this is the basis on which the report is written.
- 3.6 Due to the extremely difficult financial situation facing the Council in 2016/17 the Senior Leadership Team agreed and drew up an action plan with some immediate additional spending controls, which were over & above usual rules.

These included:

1. Recruitment freeze on staff and new agency placements (exceptions to be signed off by SLT);
2. Release of all existing casual / agency staff (exceptions to be signed off by SLT);
3. Cease overtime / additional hours (exceptions to be signed off by SLT);
4. Enter into no new training commitments, and review existing arrangements (exceptions to be signed off by SLT);
5. Re-launch Work Life Balance options around reduced hours / purchase of leave;

6. Cease spend on discretionary budgets; stationery, office equipment etc;
7. Cease spend on IT / Communications (exceptions to be signed off by SLT);
8. Any spend greater than £250 to be signed off by Executive Director;
9. Any new contractual commitments greater than £5,000 (lifetime value of contract) to be signed off by SLT;
10. Consider "in year" budget options – e.g. previously unidentified efficiencies, review of non-key services.

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

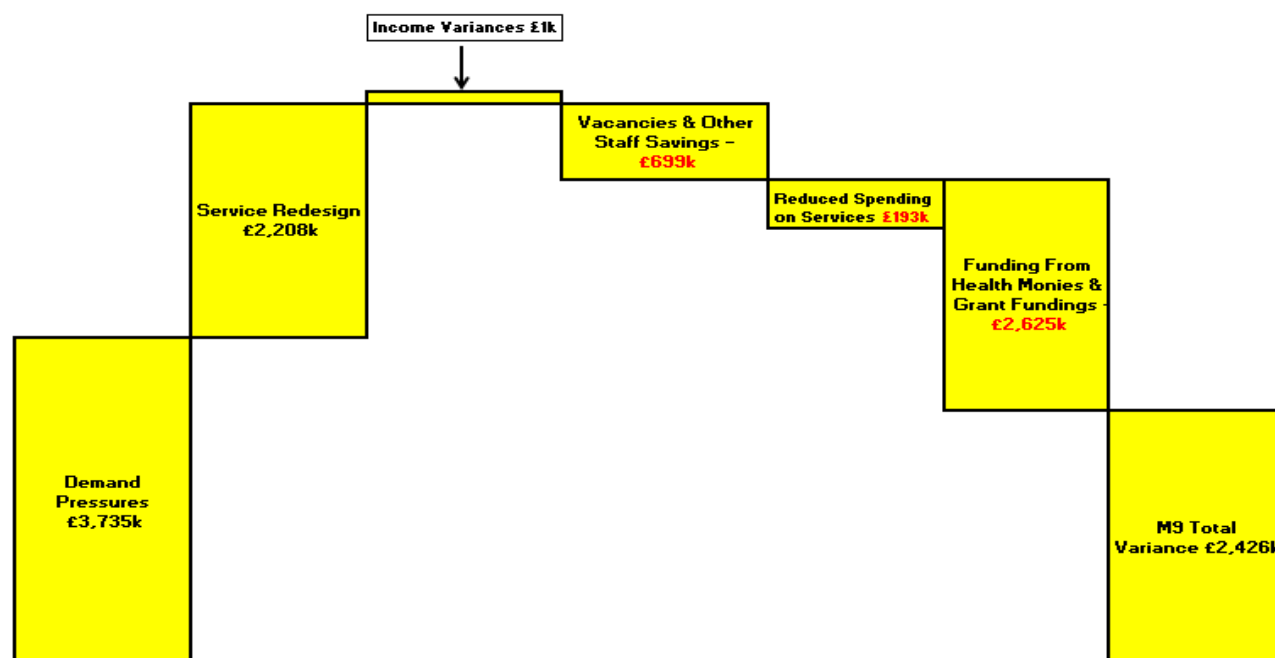
3.8 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

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

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



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

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

Theme	Variance £'000	Reason	Action Being Taken
Service redesign (Note: A number of Budgets have yet to achieve savings target against specific schemes, as a consequence this is partly/wholly the reason for the overspends)	+2,208	<p>ACS Senior Management - £1,158k (Reason: Pooling of Unallocated 2016/17 Savings).</p> <p>Reablement Service - £247k (Reason: Delay in achieving savings target).</p> <p>Urban Renewal Holding Account - £72k (Reason: Delay in achieving savings target).</p> <p>Domestic refuse collection - £350k (Reason: Delay in achieving Round Optimisation Savings).</p> <p>Leisure - £348k (Reason: Delay in achieving savings).</p> <p>Grounds Maintenance - £33k Severance payments.</p>	<p>For reasons of clarity/transparency a decision was taken by CWB Senior Management team to pool the remaining unallocated 16/17 savings into the ACS Senior Management budget. Proactive action plans being developed across all AD areas of responsibility to allocate and achieve saving target.</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 staff.</p> <p>Seek to reduce spend within the service.</p>
Income variances	+1	<p>Accommodation Team - (£165k) (Reason: "one-off" income).</p> <p>Housing Choices - £4k (Reason: Income Shortfall).</p> <p>Integrated Community Equipment Service (ICES) - (£17k).</p> <p>Employment Support - (£69k) (Reason: CCG Income Forecast greater than 16/17</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>

Theme	Variance £'000	Reason	Action Being Taken
		<p>budget provision).</p> <p>Civics - £110k (Reason: Difficulty in achieving income targets).</p> <p>Beverage and Cafe Service - £90k (Reason: Difficulty in achieving income targets).</p> <p>Public Convenience - (£12k) (Reason: Additional income from TFGM regarding bus station public conveniences).</p> <p>Trade Waste - £45k (Reason: Difficulty in achieving income targets).</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 Civic 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	-699	<p>Vacancy within Park Rangers has not been filled - (£14k) (Reason: Staff Vacancies).</p> <p>Sheltered Housing Support - (£57k) (Reason: Staffing Vacancies).</p> <p>Performance & Housing Strategy (£1k) (Reason: Staffing Vacancies).</p> <p>Policy & Improvement (£90k) (Reason: Staffing Vacancies).</p> <p>Customer Services & Customer Engagement (£53k) (Reason: Staffing Vacancies).</p> <p>Asset Management (£58k) (Reason: Staffing Vacancies).</p> <p>Commissioning &</p>	<p>Savings to be used to support other areas within Parks and Countryside.</p> <p>Forecast underspends may be used to offset pressures within other areas of adult care service budgets.</p>

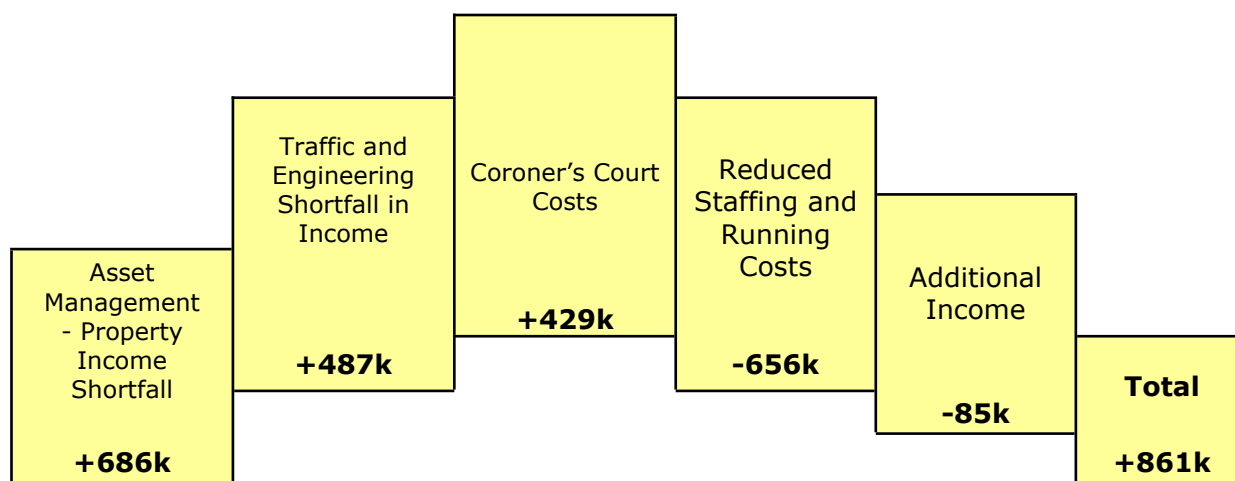
Theme	Variance £'000	Reason	Action Being Taken
		<p>Procurement Team (£111k) (Reason: Staffing Vacancies).</p> <p>Strategic Commissioning Team (£95k) (Reason: Staffing Vacancies).</p> <p>Performance & Intelligence Team (£58k) (Reason: Staffing Vacancies).</p> <p>Older People Mental Health Team (£38k)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

Theme	Variance £'000	Reason	Action Being Taken
Funding from Health Monies & Grant Funding	-2,625	<p>Funding to support the demand pressures of the Care in the Community budgets - (£2,525k).</p> <p>Contribution to healthy Lifestyle services - (100k).</p>	<p>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.</p> <p>One off contribution in 2016/17 towards healthy Lifestyle service.</p>

4.2 RESOURCES AND REGULATION

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

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



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

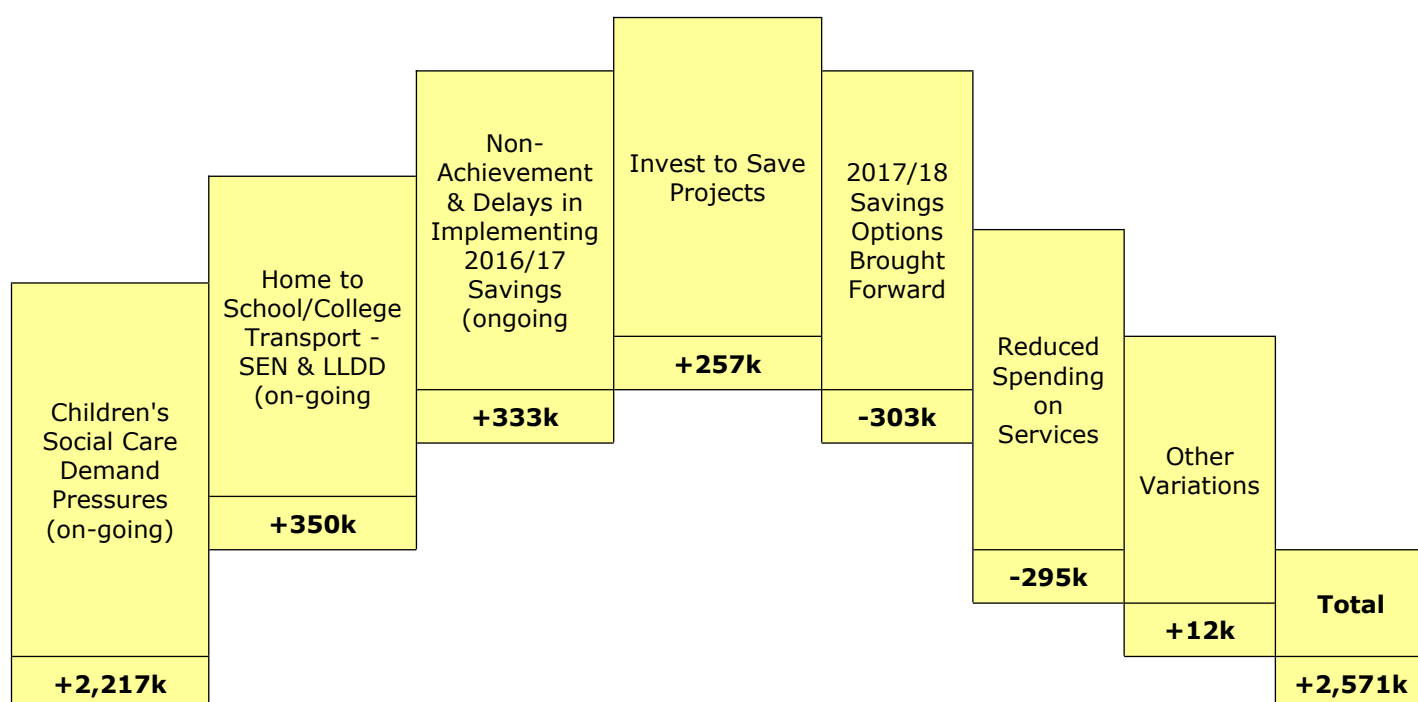
Activity	Variance £'000	Reason	Action Being Taken
Property Services	+686	Shortfall in income due to low level of rents that can be charged in the current economic climate.	<p>The Council has introduced two important strategies which will address the instability in property income.</p> <p>Through implementing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

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

4.3 CHILDREN'S, YOUNG PEOPLE AND CULTURE

4.3.1 The overall Children's, Young People & Culture budget is currently projecting an overspend of **£2.571m**.

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



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

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

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

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

4.4 NON-SERVICE SPECIFIC

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

5.0 CAPITAL BUDGET

5.1 Capital Programme

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

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

5.1.2 The expenditure and funding profile for the Capital Programme together with a detailed breakdown of the Original Approved Programme, the Revised Estimate, Forecast Outturn, Actual Spend up to end of Month 9, and the estimated under/over-spend of the capital programme for 2016/17 is shown in Appendix A.

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

5.1.4 At the end of Quarter3, a total of £13.547m of the 2016/17 budget has been identified for re-profiling into 2017/18. Most of this amount is attributed to Children Services Projects where the schemes are funded mainly by grants from Department of Education to a total of £9.558m.

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

5.2 Expenditure

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

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

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

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

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

5.3 Variances

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

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

5.4 Funding

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

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

5.4.3 The position of the capital receipts and borrowing as at the end of Month 9 is reported below. The figures in the table show the total funding requirement for the revised estimated Capital Programme inclusive of potential slippage into 2017/18 and the expected resources to be supported by the Council as at the end of Quarter 3 of the year.

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

5.5 Capital Programme Monitoring

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

6.0 HOUSING REVENUE ACCOUNT

- 6.1 The Housing Revenue Account (HRA) relates to the operation of the Council's housing stock and can be viewed as a landlord account. It is required by statute to be accounted for separately within the General Fund and is therefore effectively ring-fenced.
- 6.2 The latest estimates show a projected surplus (working balance carried forward) of £1.010m at the end of 2016/17. The projected outturn shows a working balance carried forward of £1.020m. See Appendix B.
- 6.3 There are a number of variations that contribute to the projected outturn position however there are no areas where the variance exceeds 10% and £50k.
- 6.4 The main impacts on the HRA year end balance are normally **void levels**, the **level of rent arrears** and the **level of Right to Buy sales**.

Voids:

The rent loss due to voids for April to December was on average 1.8% which is worse than the 1.6% void target level set in the original budget but an improvement on the 2nd quarter position. If this performance continues for the rest of the year there will be a reduction in rental income of £66k over the original budget; the projections of rental income in Appendix B have been calculated on this basis however further improvement is anticipated. The level of void loss was affected by the number of decant properties being provided for those tenants affected by the 2015 Boxing Day floods however this should not be a factor in the performance for the rest of the financial year.

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

Arrears:

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

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

Based on the performance to the end of December, projected for the full year, this provision would require an additional contribution of £0.220m to be made.

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

Right to Buy Sales:

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

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

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

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

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

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

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

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

- 6.5 Starting from April this year properties becoming empty are re-let at their higher target rents; based on the properties moved to target rents in the first 9 months of the year (543 properties) it is estimated that an additional £117k of rental income will be generated in the current year; the projections in Appendix B have been calculated on this basis.
- 6.6 The Welfare Reform and Work Act requires a 1% reduction in social housing rents for 4 years from 2016/17 which has a significant impact on future HRA resources; the impact of this and other changes contained in the Housing and Planning Act are being assessed as information becomes available. It has been confirmed that the 1% reduction will apply to rents of Sheltered properties from next year.

7.0 PRUDENTIAL INDICATOR MONITORING

- 7.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The authority's approved Prudential Indicators (affordability limits) for 2016/17 is outlined in the approved Treasury Management Strategy Statement.
- 7.2 The authority continues to monitor the Prudential Indicators on a quarterly basis and Appendix C shows the original estimates for 2016/17 (approved by Council on 24 February 2016) with the revised projections as at 31 December 2016. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first nine months of 2016/17.

8.0 TREASURY MANAGEMENT

8.1 Investments:

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

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

- 8.1.2 All investments were made in line with Capita's suggested credit worthiness matrices and the approved limits within the Annual Investment Strategy were not breached during the third quarter of 2016/17.

- 8.1.3 The Council has earned the following return on investments:

Quarter 1	0.72%
Quarter 2	0.60%
Quarter 3	0.47%

- 8.1.4 This figure is higher than Capita's suggested budgeted investment earnings rate for returns on investments, placed for periods up to three months in 2016/17, of 0.25%

8.2 Borrowing:

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

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

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

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

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

9.0 MINIMUM LEVEL OF BALANCES

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

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

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

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

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

10.0 EQUALITY AND DIVERSITY

10.1 There are no specific equality and diversity implications.

11.0 FUTURE ACTIONS

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

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

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

List of Background Papers:-

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

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