

NOTICE OF KEY DECISION



MEETING: CABINET OVERVIEW & SCRUTINY COMMITTEE

DATE: 26 JULY 2017
7 SEPTEMBER 2017

SUBJECT: CORPORATE FINANCIAL MONITORING REPORT – APRIL 2017 TO JUNE 2017

REPORT FROM: CABINET MEMBER FOR FINANCE AND HOUSING

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 2017 to June 2017 and projects the estimated outturn at the end of 2017/18.

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 2017.

IMPLICATIONS:

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

Statement by the s151 Officer: The report has been prepared in accordance with all relevant Codes of Practice. There may be risks arising from remedial action taken to address the budget position; these will be identified by Directors at joint SLT / Cabinet meetings. Additionally, a series of measures was drawn up in 2016/17 to address the extremely difficult financial

situation facing the Council. These will continue into 2017/18 and are detailed in par. 3.6 on page 4 of this report.

Statement by Interim Executive Director of Resources & Regulation:

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

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

Members and officers will be examining these areas in more detail at the 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
17/07/17	26/07/17	07/09/17			

1.0 INTRODUCTION

- 1.1 This report informs Members of the forecast outturn for 2017/18 based upon current spend for the period 1 April 2017 to 30 June 2017 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 joint SLT / Cabinet meetings during the year.
- 2.3 It is intended that improvements will continue to be made to the budget monitoring process, building on the significant developments implemented over the past few years.

3.0 SUMMARY OF REVENUE BUDGET POSITION

- 3.1 The table below outlines the annual budget and forecast outturn based upon known factors and the professional views of service managers as at month 3:

Department	Budget £000	Forecast £000	Variance £000
Communities & Wellbeing	78,059	79,863	+1,804
Resources & Regulation	(1,252)	(133)	+1,119
Children, Young People & Culture	30,203	33,346	+3,143
Non Service Specific	28,320	25,905	(2,415)
TOTAL	135,330	138,981	+3,651

- 3.2 The projected overspend of £3.651m represents approximately 2.70% of the total net budget of £135.330m.
- 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 3 Variance	Children Young People & Culture	Communities & Wellbeing	Resources & Regulation	Non Service Specific	TOTAL
Reason	£'000	£'000	£'000	£'000	£'000
Demand Pressures	2,116	4,304	0	713	7,133
Delayed Achievement of Cuts Options	743	1,586	0	0	2,329
Non-Achievement of Cuts Options	409	0	52	0	461
Income Shortfall	0	89	1,252	0	1,341
Planned use of one-off funding	0	(3,847)	0	0	(3,847)
Continued Impact of 10 Control Measures	(100)	0	(185)	0	(285)
Other	(25)	(328)	0	(3,128)	(3,481)
TOTAL	3,143	1,804	1,119	(2,415)	3,651

- 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 that the Council faced in 2016/17 the Senior Leadership Team agreed and drew up an action plan with some immediate additional spending controls over & above usual controls. These will continue in 2017/18.

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

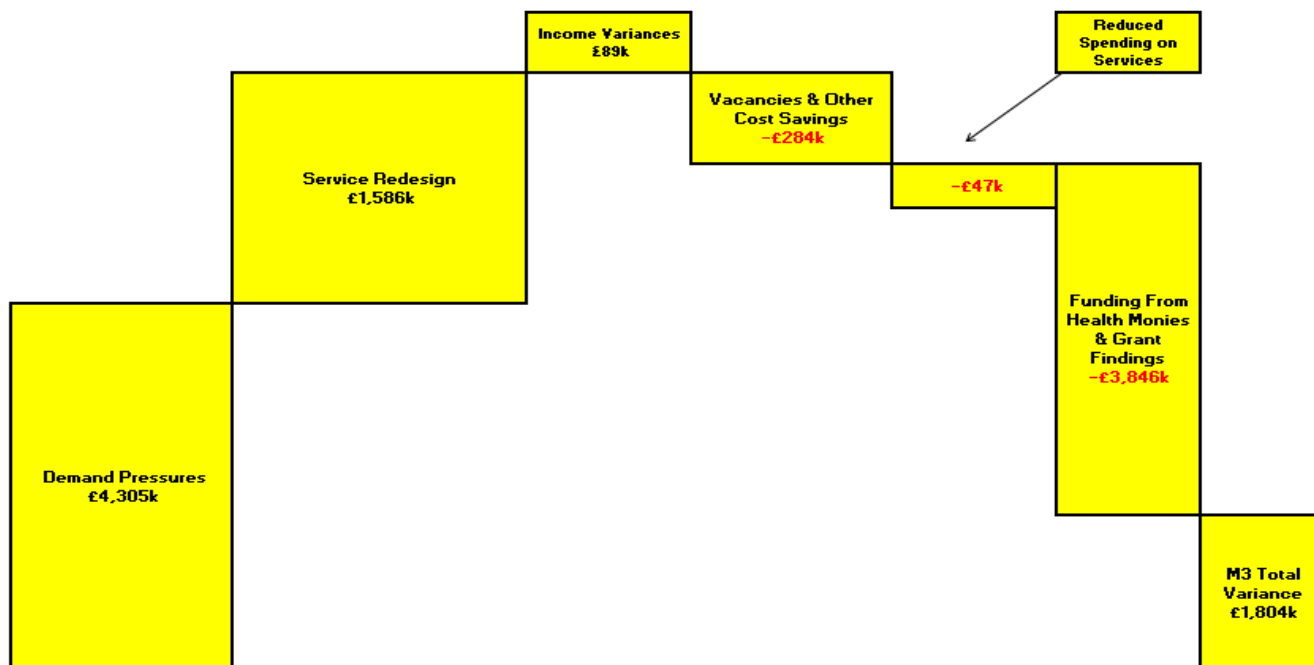
3.8 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

4.1.1 The current projected overspend for Communities and Wellbeing is **£1.804m.**

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



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

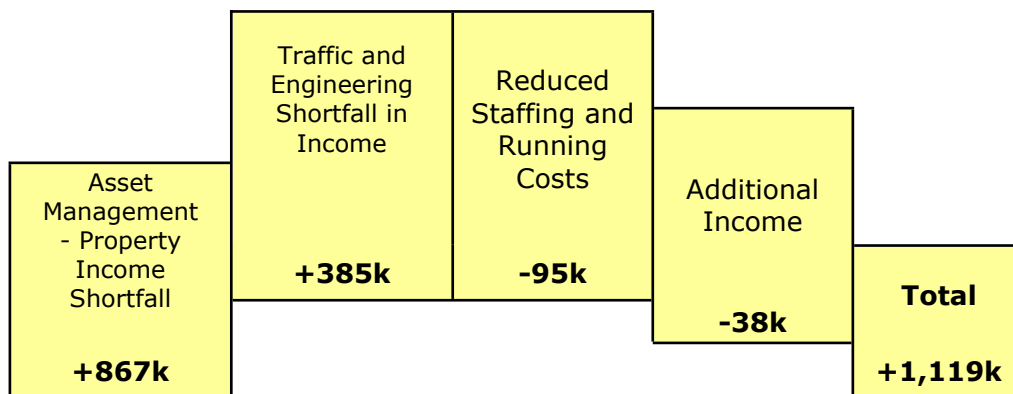
Theme	Variance £'000	Reason	Action Being Taken
Demand Pressures	+4,305	<p>Care in the Community budgets - £3,924k.</p> <p>(Reason: Pressure largely around Domiciliary Care, Residential Care and Self Directed Support Budgets).</p> <p>Falcon & Griffin Care Home - £46k (Reason: Staffing Budget Pressure).</p> <p>Persona Contract - £235k (Reason: Actual activity is greater than contract value).</p> <p>Assessment & Care Management - £100k (Reason: Staffing Cost Pressures).</p>	<p>Pressure is largely offset by £3,846m of Improved Better Care Funding. In addition, all existing high & medium cost care packages are kept under regular review.</p> <p>This pressure is currently unavoidable but any opportunity to use offsetting underspends will be employed if possible.</p> <p>The expectation is that this pressure will be managed downwards during 2017/18.</p> <p>Underspends within the wider Adult Social Care Operations Service will be used to partly offset this pressure.</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 overspends)	+1,586	<p>Reablement - £212k (Reason: Savings that remain unachieved).</p> <p>Civics - £100k (Reason: Income Shortfall).</p> <p>Beverage and Cafe Service - £65k (Reason: Income Shortfall).</p> <p>Environment - £200k (Reason: Savings target still to be identified).</p> <p>Leisure - £434k (Reason: Delay in achieving savings).</p> <p>Domestic refuse collection - £575k (Reason: Delay with achieving savings).</p>	<p>The deficit position largely relates to an unachieved element of the adult social care operations service savings target. An action plan is being developed to allocate and achieve the remaining 2017/18 saving target.</p> <p>Ongoing service review as well as new initiatives to support income generation.</p> <p>The Beverage service is being reviewed in line with the Civic review.</p> <p>Action plan being developed to allocate and achieve the 2017/18 saving target.</p> <p>The service is currently under review. Action plans are being developed to identify options to achieve saving target.</p> <p>The service is currently under review. Action plans are being developed to identify options to achieve saving target.</p>
Income variances	+89	<p>Housing Choices - £11k (Reason: Income Shortfall).</p> <p>Grounds Maintenance - £10k (Reason: Income shortfall due</p>	<p>Reviewing options to reduce expenditure activity.</p> <p>Reviewing options to reduce expenditure activity.</p>

Theme	Variance £'000	Reason	Action Being Taken
		to direct schools/brokerage schools leaving the service). Trade Waste - £68k (Reason: Income Shortfall).	Options under review to increase councils share of the trade waste market. The service is profitable but has a challenging income target.
Vacancies and Other Staff Cost Savings	-284	Older People Fieldwork (-£48k) (Reason: Staffing Vacancies). Quality Assurance & Service Development (-£26k) (Reason: Staffing Vacancies). Assessment & Care Management (-£190k). ACS Transport - (-£20k) (Reason: Staffing Vacancies).	Underspend being used to offset pressures within other areas of ASC Operations. Underspend may be used to offset pressure within other areas of CWB budgets. Underspend being used to offset pressures within other areas of ASC Operations. Underspend may be used to offset pressure within other areas of CWB budgets.
Reduced Spending on Services	-47	ASC Care Link - (-£11k) (Reason: Reduced expenditure on Bury Employment Support Team). Carers Grant - (-£36k) (Reason: Reduction in grants paid out).	Underspend may be used to offset pressure within other areas of CWB budgets. Underspend may be used to offset pressure within other areas of CWB budgets.
Funding from Health Monies & Grant Funding	-3,846	Funding to Support the demand pressures of the Care in the Community budgets - (-£3,846k).	This funding is being used to support the pressures within the Care in the Community budget and consists of a £3.576m one-off Enhanced Better Care Fund grant and a £0.270m recurrent Improved Better Care Fund grant.

4.2 RESOURCES AND REGULATION

4.2.1 The Resources & Regulation Department is forecasting an overall overspend of **£1.119m.**

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



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

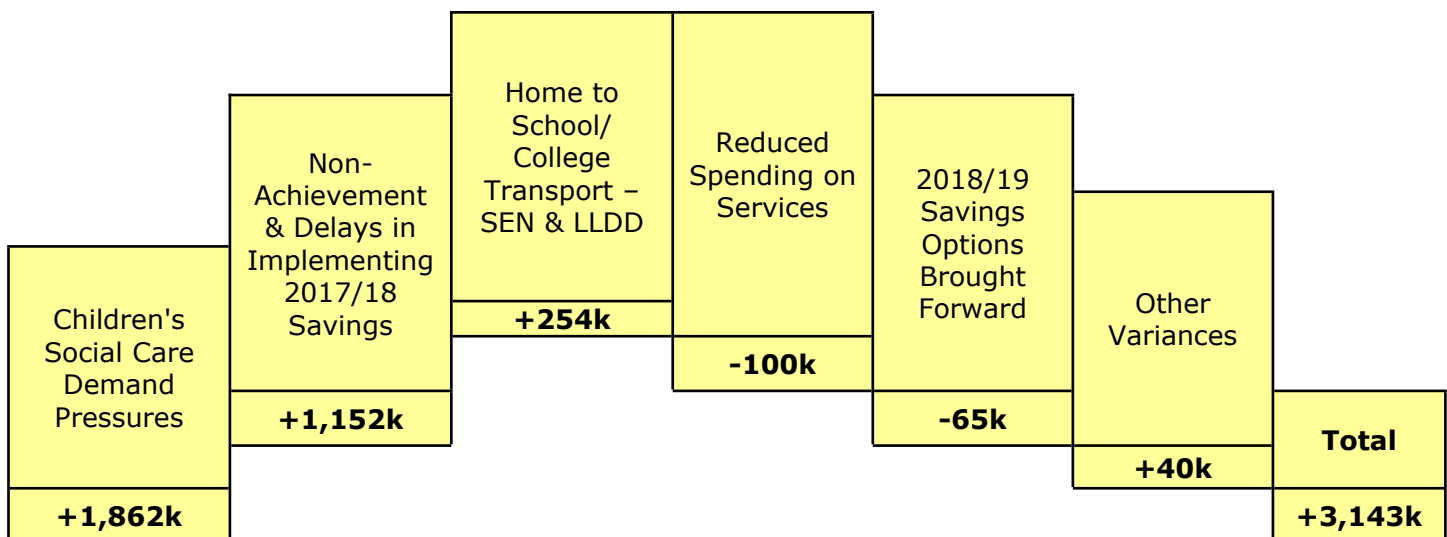
Activity	Variance £'000	Reason	Action Being Taken
Property Services	+867	Shortfall in income due to low level of rents that can be charged in the current economic climate.	<p>The Council has introduced two important strategies which will address the instability in property income.</p> <p>Through implementing 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 £415,000 p.a. in new income.</p>

Traffic & Engineering	+385	Estimated shortfalls in income relating to on- and off-street parking and parking fines (+£145k), Greater Manchester Road Activities Permit Scheme (GMRAPS) (+£80k), coring (+89k), bus lane enforcement (+£99) less savings on discretionary spend (-£28k).	Monitor income levels, and adjust expenditure where possible. GMRAPS scheme to be examined further.
Reduced Staffing and Running Costs	-95	Vacant posts not filled and tightening of controllable expenditure across the department. Salaries savings in Finance & Efficiency, HR and Stores.	To be used to assist in reducing the estimated overspend within the department in 2017/18 and part included within the 2018/19 cuts.
Additional Income	-38	Achieved from additional work within Trading Standards.	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 **£3.143m**.

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 - £1,862,000 (on-going)			
Leaving Care	+505	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	+340	Increased costs.	The forecast overspend is due to the requirements of the Ofsted Action Plan, coupled with a significant increase in external legal fees, mainly due to an increase in cases.
Children's Agency	+1,017	Continuing increased demand.	Fieldwork placements remain volatile, including a high cost fieldwork residential placement of approx £8,000 per week. The forecast has increased in the month due to 2 new IFA's and 1 new residential placement.
Non-achievement and delays in Implementing Savings - £1,152,000			
Arts	+143	On-going savings shortfall.	An income budget was added to this budget in 2013 prior to the transfer to CYP&C. This large income budget has not been achieved since its introduction and no alternative saving is feasible.
Libraries	+143	Savings shortfall.	Delays in agreeing the plans for the future of the Library service will lead to the savings target not being met in 2017/18.
Children's Agency	+600	Savings shortfall.	Delays in the Adolescent Support Unit becoming fully operational had a consequential knock-on effect on the Children's Agency budget as more expensive residential provision is still necessary to meet the needs of a number of young people in high cost placements. Alternative arrangements for the housing of the unit are actively being explored.

Statutory & Regulatory	+266	Savings shortfall.	At the beginning of 2016, it became apparent that the financial problems within the Dedicated Schools Grant meant that the 2016/17 savings option "External Funding Optimization" amounting to £900,000 would not be completely achieved. The shortfall in the required budget savings was treated as a generic budget saving and distributed amongst the Department. Although almost ¾ of the 2016/17 savings target has been met, it has not been feasible to identify alternative provision for the remainder mainly due to the demand pressures as shown above that CYP&C is currently encountering.
Home to School/College Transport (SEND & LLDD) - £254,000 (on-going)			
Home to School Transport – SEND (Special Educational Needs & Disabilities)	+204	Continuing increased demand.	The overspending is due to increases in demand for Transport for SEND pupils that have continually occurred during recent years.
Home to College Transport – LLDD (Post-16 Learners with Learning Difficulties & Disabilities)	+50	Continuing increased demand.	The forecast overspending is in line with previous years' levels.
Reduced Spending on Services – (£100,000)			
Family Support	-100		This forecast reflects the current level of support for children with disabilities, the underspending occurring through elements of Direct Payments being funded through the High Needs Block of the Dedicated Schools Grant.

2018/19 Savings Options brought forward – (£65,000)			
Pension payments to former teachers and lecturers	-65		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. NB. This underspending is in addition to the 2017/18 savings requirement of £100,000.
Other	+39		

4.4 NON-SERVICE SPECIFIC

4.4.1 There is a forecast net underspend of **£2.415m**. This relates primarily to the Council's Treasury Management activity (see Section 8.0, page 16 for further details), an increase in investment income, and reduced need in provisions of £2.5m.

5.0 CAPITAL BUDGET

5.1 Capital Programme

5.1.1 The revised estimated budget for the Capital Programme 2017/18 at the end of June is shown in the table below:

2017/18	£m
Original Capital Programme	20.281
Approved Slippage from 2016/17	28.253
In year adjustments and contributions	2.111
Revised Capital Allocation at Quarter 1	50.645
Estimated re-profiled projects into 2018/19	(10.834)
Revised working budget for Year at Qtr 1	39.811

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/overspend of the capital programme for 2017/18 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 £10.834m of the 2017/18 budget has been identified for re-profiling into 2018/19. 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 £7.257m. The remainder is attributable to Housing Development Schemes namely Haworth Close Extra Care scheme to a total of £3.496m and an amount of £0.080m for Environmental Crime projects.

5.2 Expenditure

5.2.1 The Forecast Outturn as at Month 3 is indicated to be £39.640m and Budget Managers have reported, after consideration being given to very early stages of development for a number of schemes in the programme, that they expect to spend up to this amount by 31 March 2018.

5.2.2 The actual expenditure after accruals, realised by the end of Month 3 totals £3.364m.

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

- Housing Development schemes £0.534m
- Children's, Young People and Culture £0.549m
- Older People £0.620m
- Highways Schemes £0.312m
- Housing Public Sector £0.963m

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 £0.172m. This amount is not material in relation to the size of the programme and it is expected to reduce as schemes progress details are finalised. The schemes that are forecasted 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 2017/18.

5.4.2 The principal source of funding for Capital schemes approved for the 2017/18 programme is made of external resources together with resources unspent and carried forward from previous years. The Council and Cabinet have also approved new allocations for the year towards Highways Improvement works (as part of a three year programme) and tackling Environmental Crime projects to a value of £3.6m, funded by Council's own resources through capital receipts and borrowing.

5.4.3 The position of the 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 2018/19 and the expected resources to be supported by the Council as at the end of Quarter 1 of the year.

2017/18 Use of Council Resources for Capital Investment	£m
Revised Capital Programme allocation for the year	39.811
Use of external funding and contributions	(27.830)
Balance of programme relying on Council resources	11.981
Use of Capital receipts and earmarked reserves	2.442
Use of Prudential Borrowing (2017/18 approved schemes)	4.386
Use of Prudential Borrowing (2016/17 schemes brought forward)	5.153
Total Council Resources used to support the Capital Budget for Year	11.981

5.5 Capital Programme Monitoring

5.5.1 The programme will be monitored closely during the year by CPMG and Management Accountancy with an aim to deliver schemes on cost and time with minimum slippage into 2018/19.

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 £1.020m at the end of 2017/18. The projected outturn shows a working balance carried forward of £1.409m. See Appendix B.

6.3 There are a number of variations that contribute to the projected outturn position however there is only one area where the variance exceeds 10% and £50k.

- Revenue contributions to capital – the reduction reflects additional contributions made to fund works in 2016/17.

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 1.36% which is better than the 1.6% void target level set in the original budget. If this performance was to continue for the rest of the year there would be an increase in rental income of £71k over the original budget; the projections of rental income in Appendix B have been calculated on this basis.

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 £1.348m, an increase of 9% since the end of March. Of the total arrears £0.541m relates to former tenants and £0.807m relates to current tenants. Approximately £0.228m 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 June, projected for the full year, this provision would require an additional contribution of £0.315m to be made.

The 2017/18 HRA estimates allow for additional contributions to the provision totalling £0.477m, £0.179m for uncollectable debts and £0.298m to reflect the potential impact that welfare benefit changes could have on the level of rent arrears. Therefore there is a potential underspend of £0.162m. 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 47 sales in 2015/16 and this increased to 55 sales last year.

The forecast for 2017/18 was set at 70, this being an increase of 16 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 £78,600.

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 14 sales in the period April to June. This is a reduction of 2 compared to the same period last year however the number of applications currently proceeding is higher therefore the forecast has not been revised at this stage.

- 6.5 The Welfare Reform and Work Act requires a 1% reduction in social housing rents for 4 years from 2016/17 which has a significant impact on future HRA resources; 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 2017/18 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 2017/18 (approved by Council on 22 February 2017) with the revised projections as at 30 June 2017. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first three months of 2017/18.

8.0 TREASURY MANAGEMENT

8.1 Investments:

- 8.1.1 At the 30th June 2017 the Council's investments totalled £26.1m and comprised:-

Type of Investment	£ M
Call Investments (Cash equivalents)	24.2
Fixed Investments (Short term investments)	2.0
Total	26.2

- 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 2017/18.
- 8.1.3 The Council has earned the following return on investments:
Quarter 1 0.24%
- 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 2017/18, of 0.20%.

8.2 Borrowing:

- 8.2.1 External borrowing of £2m was undertaken in the quarter to 30th June 2017. A short term temporary loan was taken over 364 days to take advantage of low interest rates. The loan was required to replace 3 loans, which matured in the quarter.
- 8.2.2 At 30th June 2017 the Council's debts totalled £191.511 m and comprised:-

	30 June 2016		
	Principal		Avg. Rate
	£000	£000	
Fixed rate funding			
PWLB Bury	131,453		
PWLB Airport	1,614		
Market Bury	50,500	183,567	
Variable rate funding			
PWLB Bury	0		
Market Bury	0	0	
Temporary Loans / Bonds	5	5	
Total Debt		183,572	3.96%

8.2.3 The overall strategy for 2017/18 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 2017/18, 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 2017 per Accounts	8.393
Less : Minimum balances to be retained in 2017/18	-4.250
Less : Forecast overspend at Month 3	-3.651
Forecast Available Balances at 31 March 2018	+0.492

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 2017/18 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.

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

List of Background Papers:-

Finance Working Papers, 2017/18 held by the Interim Executive Director of Resources & Regulation.

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