NOTICE OF KEY DECISION

Agenda Item	

MEETING:	**CABINET** **OVERVIEW & SCRUTINY COMMITTEE**
DATE:	**15 NOVEMBER 2017** **22 NOVEMBER 2017**
SUBJECT:	**CORPORATE FINANCIAL MONITORING REPORT – APRIL 2017 TO SEPTEMBER 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

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SUMMARY:

The report informs Members of the Council's financial position for the period April 2017 to September 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 September 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 Star Chamber 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 departmental Star Chamber meetings.
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
06/11/17	**15/11/17**	**22/11/17**			

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 September 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 6:

Department	Budget £000	Forecast £000	Variance £000
Communities & Wellbeing	78,059	79,440	**+1,381**
Resources & Regulation	(752)	775	**+1,527**
Children, Young People & Culture	30,203	33,485	**+3,282**
Non Service Specific	27,820	25,121	**(2,699)**
TOTAL	**135,330**	**138,821**	**+3,491**

3.2 The projected overspend of £3.491m represents approximately 2.58% 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 6 Variance Reason	Children Young People & Culture £'000	Communities & Wellbeing £'000	Resources & Regulation £'000	Non Service Specific £'000	TOTAL £'000
Demand Pressures	2,600	3,976	0	713	**7,289**
Delayed Achievement of Cuts Options	763	1,578	154	0	**2,495**
Non-Achievement of Cuts Options	569	0	52	0	**621**
Income Shortfall	0	131	1,474	0	**1,605**
Planned use of one-off funding	0	(3,847)	0	0	**(3,847)**
Continued Impact of 10 Control Measures	(100)	0	(153)	0	**(253)**
Other	(550)	(457)	0	(3,412)	**(4,419**
TOTAL	**3,282**	**1,381**	**1,527**	**(2,699)**	**3,491**

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.

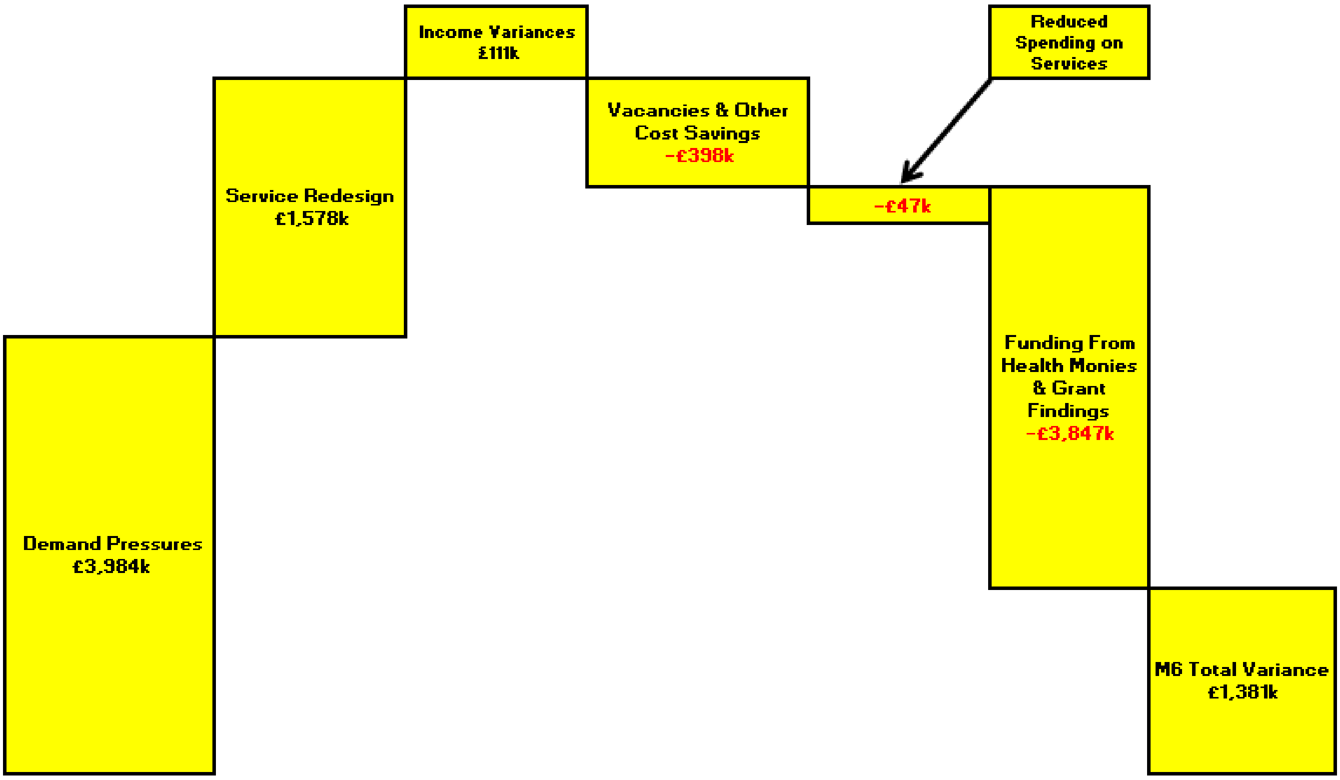
3.8 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

4.1.1 The current projected overspend for Communities and Wellbeing is **£1.381m.**

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	+3,984	Care in the Community budgets –£1,711k (Reason: Pressure largely around Domiciliary Care, Residential Care and Self Directed Support Budgets).	This Pressure is offset by 2017/18 Improved Better Care Fund Grant.
		Budget Pressures linked to reducing pressures on the NHS, meeting adult social care needs and supporting the local social care provider market - £2,136k.	These pressures will be supported by the Improved Better Care Fund grant.
		Falcon & Griffin Care Home - £68k (Reason: Staffing Budget Pressure).	This pressure is currently unavoidable but any opportunity to use offsetting underspends will be employed if possible.
		Local Reform & Community Voices Grant £33k (Reason: Additional cost re Deprivation of Liberty Safeguarding (DoLS) assessments.	The DoLS pressure is unavoidable. Completion of DoLS assessments is a local authority statutory function. Attempts are ongoing to ensure costs of assessments are reduced/kept to a minimum and requests for authorisations are starting to plateau. The overspend reported is expected to remain for the next few years until legislation change.
		Bereavement Services £21k (Reason: Increase cost on cemetery supplies due to vaults having to be bought in bulk).	Reduced spend on non-essential budgets where possible.
		Street Cleaning £15k (Reason: No budget provision for fly tipped asbestos).	Reduced spend on non-essential budgets where possible.
Service redesign (Note: A number of Budgets have yet to achieve cuts target against specific schemes, as a consequence this is partly/wholly the reason for the	+1,578	Reablement - £204k (Reason: The whole of the adult social care operations service savings target held here and the £204k pressure largely relates to what savings remain unachieved).	An action plan is being developed to allocate and achieve the remaining 2017/18 saving target.
		Civics - £100k (Reason: Income Shortfall).	Ongoing service review as well as new initiatives to support income generation.
		Beverage and Cafe Service - £95k (Reason: Income Shortfall).	The Beverage service is being reviewed in line with the Civic review.

Theme	Variance £'000	Reason	Action Being Taken
overspends)		Environment £170k (Reason: Savings target still to be identified).	A service review across a number of services has been agreed and a workshop is to be held in November to explore various options.
		Leisure - £434k (Reason: Delay in achieving savings).	The service is currently under review. Action plans are being developed to identify options to achieve saving target. Building condition surveys have been undertaken and the results will be analysed over the coming weeks.
		Waste Management - £575k (Reason: Delay with achieving savings).	The review of waste management is ongoing. A governance structure is in place including a project team and strategic review group. Note: The savings target relate to all of Waste Management which also includes Street Cleaning and Public Convenience.
Income variances	+111	Employment Support – (£20k) (Reason: Increased income from personal budgets used with BEST).	To be used to offset overspends within ACS Operations.
		Housing Choices - £79k (Reason: Increase in demand and complexity of need plus loss of management fee income).	The homelessness support grant partly offsets the loss of management fee income. However, increased rental income generation is anticipated through accommodating asylum seekers and as a consequence may result in a balanced budget by year end.
		Grounds Maintenance - £10k (Reason: Income shortfall due to direct schools/brokerage schools leaving the service).	Reviewing remaining in year expenditure activity.
		Trade Waste - £42k (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.

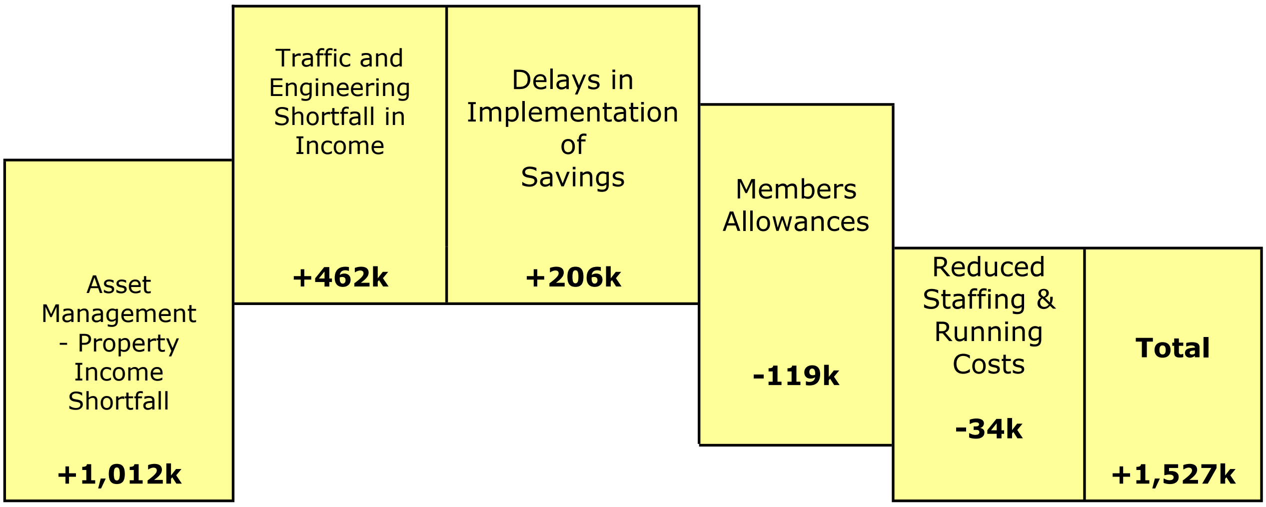
Theme	Variance £'000	Reason	Action Being Taken
Vacancies and Other Staff Cost Savings	-398	ICES Store Seedfield – (£17k) (Reason: Staffing vacancies).	Underspend being used to offset pressures within other areas of ASC Operations.
		Older People Fieldwork - (£26k) (Reason: Staffing Vacancies).	Underspend being used to offset pressures within other areas of ASC Operations.
		Quality Assurance & Service Development - (£9k) (Reason: Staffing Vacancies).	Underspend being used to offset pressures within other areas of ASC Operations.
		Assessment & Care Management - (£150k) (Reason: Staffing Vacancies).	Underspend being used to offset pressures within other areas of ASC Operations.
		Disability Services – PENNINE – (£11k) (Reason: Staffing Vacancies).	Underspend being used to offset pressures within other areas of ASC Operations.
		Head of Commissioning & Strategy – (£59k) (Reason: Staffing Vacancies).	To be used to offset overspends within Commissioning and procurement (other).
		ASC Finance – (£1k) (Reason: purchased annual leave).	Underspend may be used to offset pressure within other areas of CWB budgets.
		Policy & Improvement- (£44k) (Reason: Staffing Vacancies).	To be used to offset overspends within Housing Related Services.
		ACS Transport - (£20k) (Reason: Staffing Vacancies).	Underspend may be used to offset pressure within other areas of CWB budgets.
		Awareness Team – (£60k) (Reason: Staffing Vacancies).	Underspend to be used to offset pressure within Waste Management.
Reduced Spending on Services	-47	ASC Care Link - (£11k) (Reason: Cut back on care pool plus sourcing extra income for Carelink services).	Underspend may be used to offset pressure within other areas of CWB budgets.
		Carers Grant - (£36k) (Reason: Reduction in carers' grants paid out.	Underspend may be used to offset pressure within other areas of CWB budgets.
Funding from Health Monies & Grant Funding	-3,847	This funding is specific to the Improved Better Care Fund (IBCF) and will be used to ensure that Adult Social Care needs are met, pressures are reduced on the NHS and that the local social care provider market is supported.	This funding is being used to address immediate budget pressures within the care in the community budget and Deprivation of Liberty Safeguarding budgets. Any remaining IBCF funding will be targeted at areas such as the government's recent

Theme	Variance £'000	Reason	Action Being Taken
			change in guidance around supported living sleep in payments, future 'in year demand' within the care in the community budget and programmes to support improvements in delayed transfers of care.

4.2 RESOURCES AND REGULATION

4.2.1 The Resources & Regulation Department is forecasting an overall overspend of **£1.527m.**

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



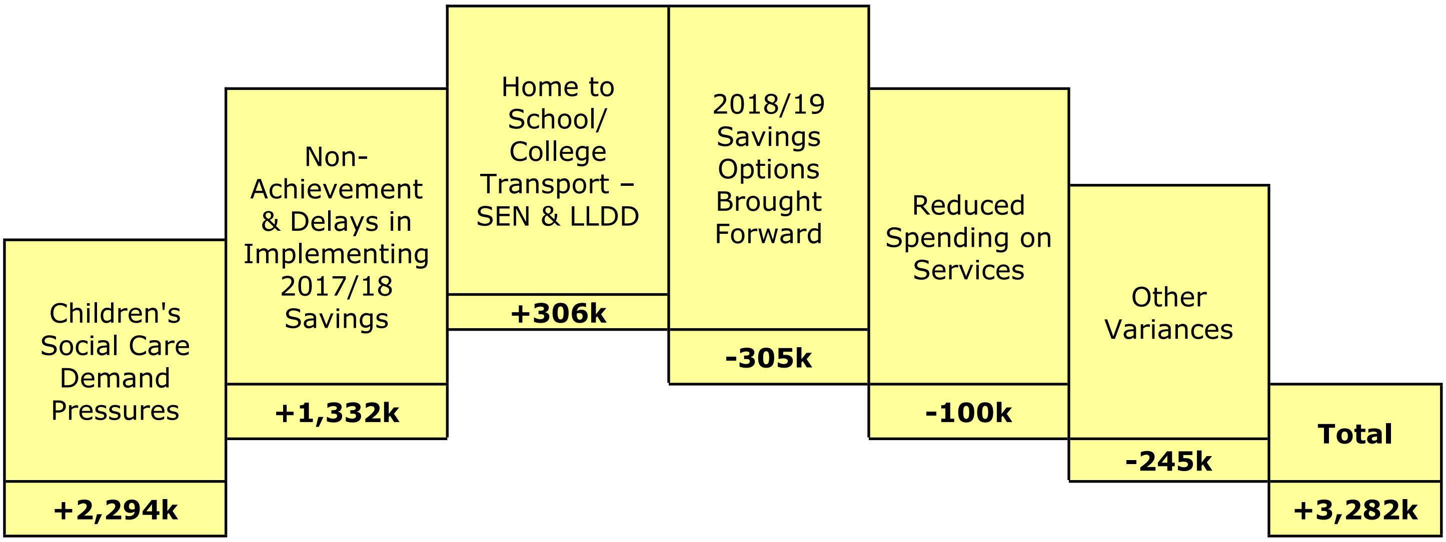
4.2.3 Reasons for major variations are illustrated in the table below;

Activity	Variance £'000	Reason	Action Being Taken
Property Services	+1,012	Shortfall in rent income due to property sales (£209,000), property voids (£225,000), Town Centre lettings (£269,000), shortfall in income from investment properties (£228,000) plus shortfall in Markets income (£156,000) partially offset by salary savings (£38,000) and savings on rates following revaluations / refunds (37,000).	The Council has introduced two important strategies which will address the instability in property income. 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. 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.
Traffic & Engineering	+462	Estimated shortfalls in income relating to off-street parking (£338,000), Greater Manchester Road Activities Permit Scheme (GMRAPS) (£49,000), bus lane enforcement (£82,000), coring (£67,000). These are offset by estimated surpluses in Council parking permits (£16,000), on-street parking receipts (£22,000), decriminalised parking fines (£8,000) and savings in traffic management (£28,000).	Monitor income levels, and adjust expenditure where possible. GMRAPS scheme to be examined further.
Delayed Implementation of Savings Targets	+206	Within Finance and Efficiency (£100,000), Legal Services (£54,000) and Localities (£52,000).	Revised means of achieving the targets being considered. Awaiting outcome of reviews of services.
Members Allowances	-119	Payments expected to be less than budget.	To be used to assist in reducing the estimated overspend within the department in 2017/18.
Reduced Staffing and Running Costs	-34	Vacant posts not filled and tightening of controllable expenditure across the department. Salaries savings in Planning & Development Control, Trading Standards & Licensing.	To be used to assist in reducing the estimated overspend within the department in 2017/18 and part included within the 2018/19 cuts.

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 **£3.282m.**

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 - £2,294,000 (on-going)			
Leaving Care	+651	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 more young people in high cost placements who were previously accommodated within the Children's Agency Budget.
Safeguarding	+333	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	+1,310	Continuing increased demand.	The service is largely demand led and continues to support a large number of complex and high cost cases. These high cost fieldwork residential placements range between £2,000 and £8,000 per week.

Non-achievement and delays in Implementing Savings - £1,332,000 (one-off - £803,000; on-going - £529,000)			
School Catering	+160	Savings shortfall (2016/17 savings – Management Restructures) (Probable on-going £120,000) Possible one-off £40,000)	Catering - reduced numbers of pupils having a school meal as well as a number of schools choosing alternative catering providers has had a significant impact on the financial position of the service. In addition, managers have chosen to buy more expensive food without a corresponding increase in income to offset the additional costs. The CYPAD system is still struggling to achieve financial efficiencies that will fund the annual cost of the system.
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	+163	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) - £306,000 (on-going)			
Home to School Transport – SEND (Special Educational Needs & Disabilities)	+256	Continuing increased demand.	The overspending is due to increases in demand for Transport for SEND pupils that have continually occurred during recent years. In addition, there is a forecast overspending of £350,000 on Home to School Transport for SEND pupils attending out-of-borough placements funded by the Dedicated Schools Grant. The total forecast overspending is approx. £606,000.
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 – (£305,000)			
Pension payments to former teachers and lecturers	-84		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.
Early Years	-171		Filling of vacancies, as well as expenditure plans, are on hold awaiting decisions on the savings options. NB. This underspending is in addition to the 2017/18 savings requirement of £100,000.
Financial Services & HR	-50		1 member of staff took VER coupled with the non-filling of admin posts, along with changes in working practices, means that the services are making more savings than was originally estimated. NB. This underspending is in addition to the 2017/18 savings requirement of £80,000.

Other – (£245,000)			
Family Support	-154		This includes the Short Breaks Service, Children's Domestic Violence and the Reach Out project. Short Breaks Service is subject to demand pressures, which are currently lower this financial year than in previous years. The other 2 services are in the midst of restructuring and being developed, which is temporarily showing underspendings through the non-filling of vacancies and limiting spending decisions.
Other	-91		The non-filling of vacancies and reduced staffing and running expenses in a number of services throughout the department.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Dedicated Schools Grant - £1,411,000			
Independent Special Schools	+548	Continuing demand pressures of SEND pupils requiring complex and high cost places that cannot be provided within maintained schools in Bury	SEN team endeavours to provide extra support to children to try and keep as many within Bury schools that meets their complex needs – see below the 'Pupils with SEN' overspending. This forecast is above the current budget of £5.6 million and includes the cost of home to school transport provided by the independent institutions, which is estimated to annually cost £350,000. (See above comment within Home to School Transport for SEN pupils)
Post-16 Commissioned Places	+578	Continuing demand pressures of LLDD students requiring complex and high cost places in post-16 provision	The responsibility for provision for Learners with Learning Difficulties and Disabilities (LLDD) up to the age of 25 was transferred to local authorities some 4 years ago. Unfortunately insufficient funding monies were transferred to Bury to meet all of the on-going requirements of these vulnerable students. NB this forecast overspending is the impact in 2017/18 only. Previous years' funding shortfalls are included in the summary position shown below.
Looked After Children (Education)	+80		As part of the 2017/18 Savings Options, the cost of the Looked After Children (Education) team were to be funded through external monies. Subsequently the DfE's funding criteria has changed and not all of the team can be included within the external funding leading to a shortfall in the savings options impacting on the DSG.

Pupils with SEN	+205		There are a number of Education and Health Care plans that occur after the budget has been set at the start of the financial year. These require funding and in some cases "top-up" funding for those pupils with more complex needs. As shown above, the SEN team endeavour to try and keep pupils within provision within Bury schools.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Summary Position of the Department's overspendings – £11,672,000			
General Fund	+3,282		See detailed statements above.
Dedicated Schools Grant –2017/18 only	+1,411		See detailed statements above. The current SEND review and recommended outcomes will help to address the funding position by containing expenditure within the approved annual revenue budget.
Dedicated Schools Grant – previous years' overspendings	+6,978		Overspendings by services funded through the Dedicated Schools Grant are carried forward into the next financial year. The continuing demand pressures and lack of funding for several years of pupils and students up to the age of 25 are the main reasons why the carry forward deficit of has grown and continues to increase to levels that are significantly above the levels of schools' surplus balances. The changes being introduced through the National Funding Formula (NFF) will enable some of the High Needs spending to be met from the additional monies that will be allocated to schools though component factors of the NFF.

4.4 NON-SERVICE SPECIFIC

4.4.1 There is a forecast net underspend of **£2.699m.** This relates primarily to the Council's Treasury Management activity (see Section 8.0, page 19 for further details), an increase in investment income, a projected underspend on grants to voluntary organisations (£0.250m) and a 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 2016/17 at the end of September 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	3.551
Revised Capital Allocation at Quarter 2	**52.085**
Estimated re-profiled projects into 2018/19	(15.730)
Revised working budget for Year at Qtr 2	**36.355**

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/over-spend 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 Quarter2, a total of £15.730m 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 £9.537m.

The remainder is attributable to Housing Development Schemes namely Haworth Close Extra Care scheme to a total of £3.496m and an amount of £0.388m for Disabled Facilities Grant projects.

5.2 Expenditure

5.2.1 The Forecast Outturn as at Month 6 is indicated to be £36.555m and Budget Managers have reported 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 6 totals £8.044m.

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

- Housing Development schemes £1.726m
- Children's, Young People and Culture - £2.093m
- Older People £1.280m
- Highways Schemes £1.131m
- Housing Public Sector - £1.219m

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 £0.199m. 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 taken 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 2017/18.

5.4.2 The principal source of funding for Capital schemes approved for the 2017/18 programme is made of external resources including those carried forward from previous years. The Council and Cabinet have also approved allocations for the year to a value of £3.5m towards the Highways Improvement works (as part of a three year programme) and £0.100m for projects to tackle Environmental Crime that will be funded by Council's own resources from capital receipts and borrowing.

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 2018/19 and the expected resources to be supported by the Council as at the end of Quarter 2 of the year.

2017/18 Use of Council Resources for Capital Investment	**£m**
Revised Capital Programme allocation for the year	36.355
Use of external funding and contributions	25.288
Balance of programme relying on Council resources	**11.067**
Use of Capital receipts and earmarked reserves	1.522
Use of Prudential Borrowing (2017/18 approved schemes)	4.386
Use of Prudential Borrowing (2016/17 schemes brought forward)	5.159
Total Council Resources used to support the Capital Budget for Year	**11.067**

5.5 Capital Programme Monitoring

5.5.1 The programme will be closely monitored during the second half of the year by CPMG and Management Accountancy with an aim to deliver the 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 £1.433m. See Appendix B.

6.3 There are a number of variations that contribute to the projected outturn position but there are no areas where the variance exceeds 10% and £50k. However explanation of two of the variations may be helpful to members:

- Revenue contributions to capital – the quarter 1 report showed a projected underspend of £0.316m, this reflecting the additional contributions made to fund works in 2016/17. However Six Town Housing are making a one off contribution of £0.460m to the HRA towards the funding of major works. This contribution has been shown as a reduction in the Six Town Housing Management Fee to aid transparency.

6.4 The HRA acquired 4 affordable rent properties at the end of the last financial year and is aiming to acquire 9 more before the end of March. In addition work is ongoing on the new Extra Care scheme which will provide 60 units in the next financial year. The HRA will need to take loans before the end of this financial year to fund part of the development costs of the scheme and to ensure that the minimum level of balances is maintained. There will therefore be some additional costs for loan interest, which are not currently reflected in the projected outturn, however these are not expected to be significant.

6.5 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 1.24% 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 £107k over the original budget; the projections of rental income in Appendix B have been calculated on this basis. Performance has continued to improve therefore the increase in rental income could be even higher; this will be reviewed at the end of the third quarter and taken into account when setting the target level for the next 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 £1.478m, an increase of 20% since the end of March. Of the total arrears £0.573m relates to former tenants and £0.905m relates to current tenants. Approximately £0.241m 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 £0.356m 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 £0.121m. 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 33 sales in the period April to September. This is an increase of 6 compared to the same period last year. The number of applications currently proceeding is also higher than at this point last year (81 compared to 60). The forecast of 70 sales would still seem to be a reasonable estimate and has not been revised at this stage.

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; it has recently been announced that following this period there will be a return to the previous rent policy i.e. increases of Consumer Price Inflation (CPI) plus 1%.

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 September 2017. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first six months of 2017/18.

8.0 TREASURY MANAGEMENT

8.1 Investments:

8.1.1 At the 30th September 2017 the Council's investments totalled £30.5m and comprised:-

Type of Investment	£m
Call Investments (Cash equivalents)	29.5
Fixed Investments (Short term investments)	1.0
Total	**30.5**

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%
Quarter 2 0.18%

8.1.4 This figure is slightly lower 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 No new external borrowing was undertaken in the quarter to 30th September 2017.

8.2.2 At 30th September 2017 the Council's debts totalled £195.543m and comprised:-

	30 September 2017		
	Principal		**Avg.**
	£000	**£000**	**Rate**
Fixed rate funding			
PWLB Bury	131,453		
PWLB Airport	1,587		
Market Bury	60,500	193,540	
Variable rate funding			
PWLB Bury	0		
Market Bury	0	0	
Temporary Loans / Bonds	2,003	2,003	
Total Debt		**195,543**	**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 Less : Forecast overspend at Month 6	-4.250 -3.491
Forecast Available Balances at 31 March 2018	**+0.652**

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

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

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