NOTICE OF KEY DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**CABINET** **OVERVIEW & SCRUTINY COMMITTEE** **25 JULY, 2018**
DATE:	**11 SEPTEMBER, 2018**
SUBJECT:	**CORPORATE FINANCIAL MONITORING REPORT – APRIL 2018 TO JUNE 2018**
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 2018 to June 2018 and projects the estimated outturn at the end of 2018/19. 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 2018.

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 have continued into 2018/19 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
16/07/18	**25/07/18**	**11/09/18**			

1.0 INTRODUCTION

1.1 This report informs Members of the forecast outturn for 2018/19 based upon current spend for the period 1 April 2018 to 30 June 2018 in respect of the revenue budget, capital budget, the Housing Revenue Account, treasury management and the CCG.

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 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 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	80,794	83,827	**+3,033**
Resources & Regulation	5,215	6,330	**+1,115**
Children, Young People & Culture	40,209	43,556	**+3,347**
Business, Growth & Infrastructure	(3,791)	(1,669)	**+2,122**
Art Gallery & Museum	439	534	**+95**
Non Service Specific	15,150	8,614	**(6,536)**
TOTAL	**138,016**	**141,192**	**+3,176**

3.2 The projected overspend of £3.176m represents approximately 2.30% of the total net budget of £138.016m.

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 Reason	Children, Young People & Culture £'000	Communities & Wellbeing £'000	Resources & Regulation £'000	Business, Growth & Infrastructure £'000	Art Gallery & Museum £'000	Non Service Specific £'000	TOTAL £'000
Demand Pressures	3,313	5,182	0	0	0	147	**8,642**
Delayed Achievement of Cuts Options	124	3,981	100	547	0	0	**4,752**
Non-Achievement of Cuts Options	110	0	0	0	0	0	**110**
Income Shortfall	0	15	927	1,640	95	0	**2,677**
Planned use of one-off funding	0	(1,815)	0	0	0	0	**(1,815)**
Continued Impact of 10 Control Measures	0	0	(117)	(65)	0	0	**(182)**
Other	(200)	(4,329)	205	0	0	(6,683)	**(11,008)**
TOTAL	**3,347**	**3,033**	**1,115**	**2,122**	**95**	**(6,536)**	**3,176**

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 has been 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 continue to 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 have continued in 2018/19.

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.

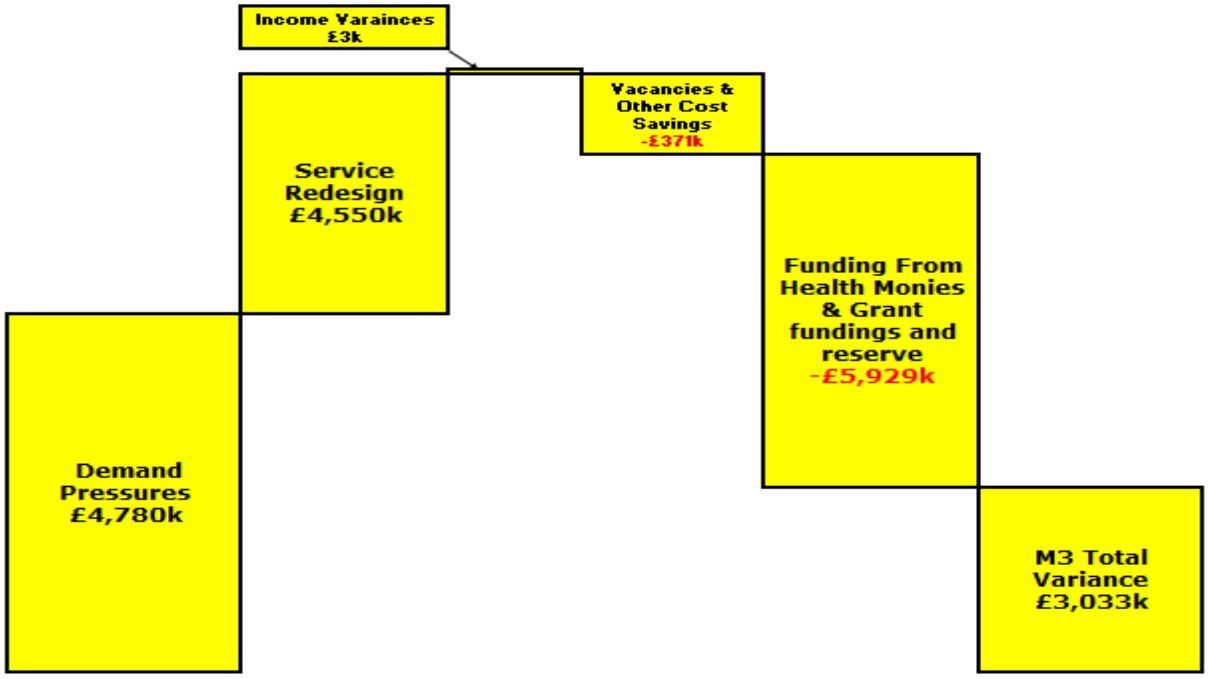
3.8 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

4.1.1 The current projected overspend for Communities and Wellbeing is **£3.033m.**

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
Funding from Health Monies ,Grant Funding and Reserves		Improved Better Care Fund (IBCF) £3,694k.	The IBCF is being used (in line with funding conditions) 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 Care in the community.
		Adult Social Care Protection Grant - £510k.	This is a one off grant being used to support demand pressures within the Choices for Living Well service.
		Adult Social Care Reserves -£1,295k.	One off support towards Adult Social Care Budgets.
		System Resilience Grant -£430k.	One off support towards supporting the Choices for Living Well service.
Sub Total	**-5,929**		
Demand Pressures		Housing related Services - Inclusion- £240k (Reason: Unallocated savings target, and costs relating to an increase portfolio of properties).	Housing Strategic Lead/CWB SMT are developing an action plan to achieve the savings.
		Care in the Community budgets– £3,477k (Reason: Pressure largely around Domiciliary Care, Residential Care and Self Directed Support Budgets).	The Pressure is offset by Improved Better Care Funding (in line with funding conditions). In addition, all existing high & medium cost care packages are kept under regular review.
		Local Reform & Community Voices - £205k (Reason: Additional cost re Deprivation of Liberty safeguarding (DoLS) assessments).	The DoLS pressure is unavoidable. The completion of DoLS assessments is a statutory function. Attempts are ongoing to ensure costs of assessments are reduced/kept to a minimum and requests for authorisations are starting to plateau. Depending on IBCF resource availability this pressure may be funded by support from the IBCF.
		Reviewing team - £168k (Reason: Staffing Costs).	This team is funded by the Improved Better Care Fund. This service is meeting statutory responsibilities and is also contributing to the departmental savings programme.

Demand Pressures		Falcon & Griffin - £16k (Reason: Increase out of hours cost). Choices for Living Well Service - £430k (Reason: Pressure from delayed discharge from hospital). Assessment & Care Management - £20k (Reason: Staffing Cost Pressures). ACS Training Program Adults -£36k (Reason: property rental costs at Bury Adult Learning center). Civic Venues -£161k (Reason: Shortfall In income at civic venues and budget cuts). Street Cleaning -£27k (Reason: increase cost relating to fly-tipping, particularly asbestos).	Small pressure as a result of additional out of hours costs. Options are being reviewed to bring Falcon & Griffin back to a balance position. Killelea & Reablement have been integrated to create the Choices for Living Well Service. This service includes the Discharge to Assess scheme where beds are blocked booked at local nursing homes to support hospital discharge, this cost is to be funded by a one off contribution from the Systems Resilience Grant (SRG). This pressure is offset by a one off contribution from CWB Reserves. Persona is expected to contribute towards the rental cost for their use of Bury Adult Learning Centre. This service is part of a wider Growth and Investment Review. Action plans are in place to develop a wellness model within Civics as well as new income generating events. Reduce spend on non-essential spend.
Sub Total	**+4,780**		
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)		Strategic Planning & Development team - £166k (Reason: Unachieved savings). Finance - £1,288k (Reason: Unallocated/Unachieved savings targets). Choices for Living Well -£720k (Reason: Reduction of ASC protection grant, and unachieved savings).	Options are being reviewed such as reviewing the allocation of saving targets. This pressure is currently being offset by a one off call on CWB reserves. Options are being reviewed to meet savings targets. Killelea & Reablement have been integrated to create Choices for Living Well Service. The service is undergoing a review and is receiving one off support to meet pressures relating to funding fallout and savings targets.

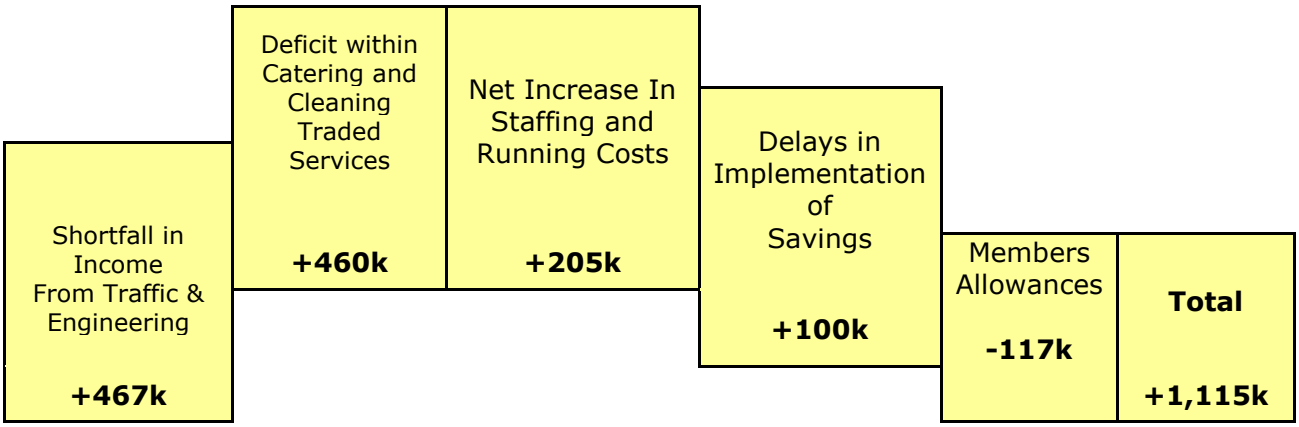
		ACS Staffing section - £53k (Reason: Overspend relates to unachieved savings target).	Options are being reviewed such as reviewing the allocation of saving targets.
		Beverages -£103k (Reason: is largely due to low footfall at castle Leisure Centre impacting on the Cafe and Vending).	This service is part of a wider Growth and Investment Review to address low footfall.
		Environment £420k (Reason: Unachieved savings target).	The savings target is linked to a joint review across the CWB Department and the Resources & Regulation Department. Phase 2 of the review has been completed. Next steps & savings will be subject to guidance from SLT and elected members and will be dependent upon wider developments across the council such as the development of the digital offer, transformation to Neighbourhood Working and development of Traded Services. Whilst some savings may be delivered in year, achievement of radical transformation and full savings are likely to take longer and require an invest to save approach.
		Leisure - £500k (Reason: Delay in achieving savings).	The Leisure service is part of a wider Growth and Investment Review. However a £200k saving has already been achieved from changes to VAT regulations. Further options include a continuation of ongoing service reviews to identify efficiencies are underway.
		Domestic Refuse Collection-£1,300k (Reason: Delay with achieving savings).	A full range of strategic options being developed for SLT/Cabinet consideration. An ongoing service and performance review will create a further £250k saving.
Sub Total	**+4,550**		

Income Variances		ACS Carelink -£9k (Reason: Increase income from Falcon & Griffin). Internal recruitment- £3k (Reason: new income generating scheme). Grounds Maintenance -£15k (Reason: small shortfall on income).	Underspend to be used to support pressures elsewhere within CWB. Underspend to be used to support pressures elsewhere within CWB. Reduce spend on non-essential spend where possible.
Sub Total	**+3**		
Vacancies and Other Staff Cost Savings		Commissioning & Procurement – Other Services -£228k (Reason: Staffing Vacancies). Finance -£26k (Reason: Staffing Vacancies). ASC Operations - -£17k (Reason: Staffing Vacancies). Waste -£100k (Reason: Staffing Vacancies within Education & Awareness team).	Underspend being used to offset pressures within other areas of Commissioning & procurement. Underspend being used to offset pressures within other areas of Finance. Underspend being used to offset pressures within other areas of ASC Operations. Underspends to be used to offset pressures within Waste Management.
Total	**+3,033**		

4.2 RESOURCES AND REGULATION

4.2.1 The Resources & Regulation Department is forecasting an overall overspend of **£1.115m.**

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;

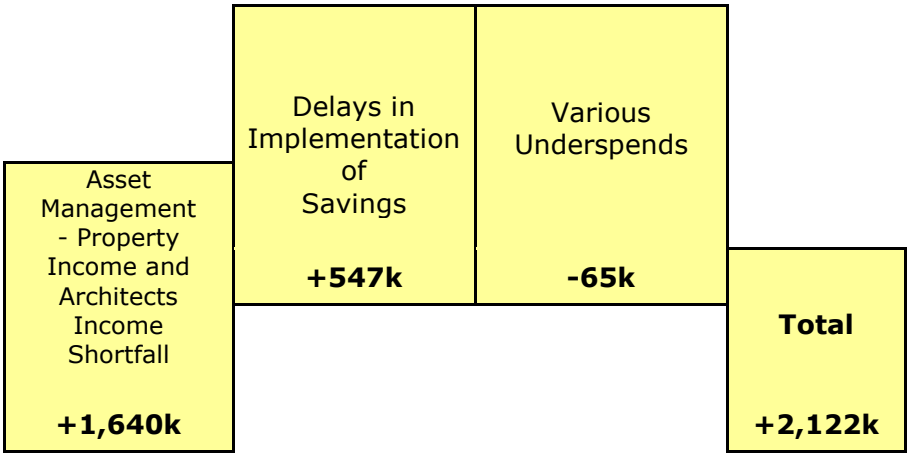
Activity	Variance £'000	Reason	Action Being Taken
Reduced Income from Traffic & Engineering	+467	Estimated shortfalls in income relating to off-street parking (£341,000), Greater Manchester Road Activities Permit Scheme (GMRAPS) (£26,000), bus lane enforcement (£87,000), decriminalised parking fines (£47,000), coring (£41,000). These are offset by estimated surpluses in Council parking permits (£35,000), on-street parking receipts (£19,000), traffic management (£24,000). Plus minor overspends of £3,000.	The shortfalls have arisen as a result of historic income targets, where circumstances have now changed; • off-street parking income target does not take into account the fact that the Council no longer has the majority of off-street parking • GMRAPS (Greater Manchester Road Activities Permit Scheme), again, the income target was set at a time when the utility companies were undertaking a lot of planned renewals of their assets in the

Deficit within Catering and Cleaning Traded Services	+460	Salary costs higher than priced in the SLA for 2018/19 (£168,000). It was decided that the SLA prices quoted would not include the pay award for 2018/19. This was to retain custom from the schools. Small reduction in income due to a number of sites which transferred their business elsewhere. The 2018-19 pay award was not funded. It was decided that the SLA prices quoted for the current year would not include the pay award for 2018/19, this was to retain custom from the schools (£350,000). Inadequate budget for CYPAD / ParentPay systems (£50,000).	The service has revised its income target with respect to current activity levels and has found a £60k positive variance. This is reflected in the month 3 numbers. It will shortly review its processes and structure to ensure there is no income leakage from the relief caretaking service. The appropriate salary levels will be incorporated for the pricing for the forthcoming year. The CYPAD Software cost will be taken from a Catering reserve. The service has identified c£150k pa in cost savings which can be made, unfortunately this will not be possible until the end on 2018, this is as a result of requiring some small infrastructure investment, a redeployment exercise and some training. The service is reviewing its sales prices in the high schools, (this has not been done for some time) which is likely to deliver a higher profit share to Council. The service is reviewing its staffing structure at a site and management level to ensure that there is no waste. The service will review its primary pricing structure following the staffing review with a view to minimising the deficit where possible in the following financial year. The appropriate salary levels will be incorporated for the pricing for the forthcoming year. The service has identified a one off income recovery of c£50k from one of the high schools.
Net Increase In Staffing and Running Costs	+205	Contribution to bad debt provision (£209,000), Credit card charges overspend (£34,000), reduced retrospective rebate income re Procurement (£40,000) offset by net underspends on staffing (£78,000).	Ongoing management of the budgets in order to reduce staffing and running costs spend and to use additional income from Payroll where achieved.
Delayed Implementation of Savings Targets	+100	Within Finance and Efficiency (£100,000).	Revised means of achieving the targets being considered. Awaiting outcome of reviews of services.
Members Allowances	-117	Payments expected to be less than budget.	To be used to assist in reducing the estimated overspend within the department in 2018/19.

4.3 BUSINESS, GROWTH AND INFRASTRUCTURE

4.3.1 The Director of Business, Growth & Infrastructure is forecasting an overall overspend of **£2.122m.**

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



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

Activity	Variance £'000	Reason	Action Being Taken
Property Services and Architects Income Shortfall	+1,640	Underachievement in income against budget owing to decline in rental values (£185,000) Void properties for letting (£144,000) Income budgets remaining for properties sold (£107,000) Loss of income to deliver redevelopment on Block A The Rock (£150,000) Town Centre ground rent income underachieving against budget (£340,000)	Restructuring of budgets as part of the creation of the Growth directorate All vacant properties to be market for re-let, or sold Town Centre income is largely beyond the Council's control, but the income figures associated with The Mill Gate Centre and Longfield Centre will continue to be scrutinised Discussions are taking place over whether the Council wishes to refresh its approach to its Investment Strategy in the light of recent market trends Independent management of Radcliffe Market to reduce running costs.

		Shortfall in income against budget from investment properties (£457,000) Shortfall in Markets income (£83,000) Shortfall in Architects income (£174,000) due to income shortfall (reduction in schemes) – closure of libraries, adult care transferred to Persona and general reduction in engagement of Architectural Services (in particular Property & Leisure).	Delivery strategy to be developed and implemented to sell those properties not achieving sufficient income and to build/acquire others which will deliver rental growth in the future

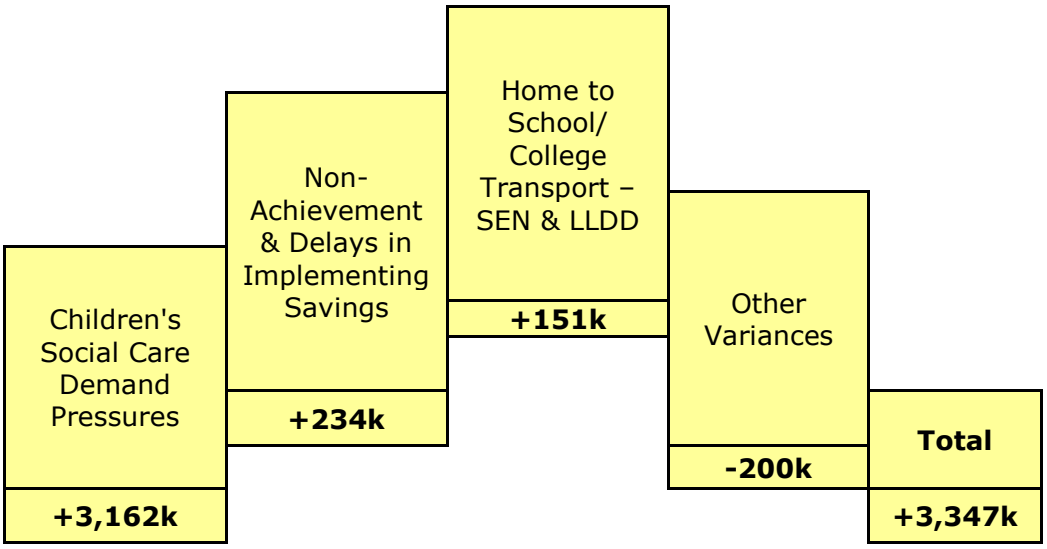
Delayed Implementation of Savings Targets	+547	Within Markets (£31,000), Admin Buildings (£266,000), Property Services (£100,000), Urban Renewal (100,000) and Localities (£50,000).	Revised means of achieving the targets being considered. Awaiting outcome of reviews of services.

Various Underspends	-65	Reduced AGMA costs in Economic Development (£19,000), no Evergreen contribution (£19,000), plus savings on salaries and running costs in Markets (£27,000).	To be used to assist in reducing the estimated overspend within the directorate in 2018/19.

4.4 CHILDREN'S, YOUNG PEOPLE AND CULTURE

4.4.1 The overall Children's, Young People & Culture budget is currently projecting an overspend of **£3.347m.**

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



4.4.3 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 -			**£3,162,000** of which: £2,917,000 (on-going) £245,000 (one-off)
Short Breaks Service	+132	On-going Demand pressures	The projected increase is due to a number of new cases and numerous cases where there has been an increase in support on both Direct Payments and Commissioned Services.
Children's Residential	+1,772	On-going Demand pressures	This forecast overspending above the £2 million annual budget is based on the number of children in residential placements. There have been 3 additional high cost residential placements since month 2 that have increased the forecast overspending by £240,000.
Through Care Support Costs	+417	On-going Demand pressures	Forecast housing expenditure based on the number of care leavers supported through the budget.
Independent Fostering Agencies	+596	On-going Demand pressures	Forecast is based on the number of children in Independent Fostering Agency placements. There have been 4 new IFA placements in June, increasing the forecast overspending by a further £200,000 when compared to month 2.

Safeguarding	+245	One-off	Safeguarding (+71) – Staff issues will mean that this service will still overspend due to agency staff covering posts. Emergency Duty Team (+42) – Service is struggling to recruit staff and is now reliant on agency staff to cover the statutory hours required. External Legal Fees (+50) – Increased number of court cases that will attract additional court and barristers' fees. Child Sexual Exploitation (+46) – Additional staffing requirements. Initial Response Team (+36) – Staff recruitment issues are placing a heavy reliance on agency staff, and coupled with cost pressures are contributing to the forecast.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Home to School/College Transport (SEND & LLDD) - £151,000 (on-going)			
Home to School Transport – SEND (Special Educational Needs & Disabilities) Home to College Transport – LLDD (Post-16 Learners with Learning Difficulties and Disabilities	+151	Continuing increased demand	Savings on Bus Escorts and non-SEN school transport have been offset by overspendings on Transport for SEND pupils and Home to College Transport for LLDD students. The forecast expenditure may change when the schedules are updated in September in time for the new school year. In addition, there is a forecast overspending of £400,000 on Home to School Transport for SEND pupils attending out-of-borough placements funded by the Dedicated Schools Grant. The total forecast overspending on home to schools and colleges transport is approx. £550,000 and is expected to continue at least at this level in the next financial year.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Non-achievement and delays in Implementing Savings - £234,000 (one-off - £134,000; on-going - £110,000)			

Statutory Regulatory	+110	Remainder of the 2016/17 and 2017/18 savings that have yet to be achieved Probable on-going 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 wholly 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 fully feasible to identify alternative provision for the remainder mainly due to the demand pressures as shown above that CYP&C is currently encountering. As previously reported these unallocated savings amounted to £266,000 and gradually they have been reduced by £150,000.
Libraries	+85	Savings shortfall (probable one-off)	Business rates and costs relating to library buildings that are due to close are contributing to the forecast overspending. In addition there are £20,700 of budget savings still to be allocated and an AGMA payment due that is not supported by a budget.
Early Years including Children's Centres.	+39	Savings shortfall (probable one-off)	Delays in the decision in implementing the savings option have been offset to some degree by delays in implementing the new staffing structure.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Other – (£200,000)			
Children's Domestic Violence	-47	One-off	A new team that is not yet fully staffed.
Reach Out ASU	-51	One-off	Vacant post and other savings identified due to changes in the planned delivery of the service.
Connexions & Youth Service	-53	One-off	Salary savings.
Performance, Planning & Commissioning	-32	One-off	Salary savings.
Other	-17	One-off	Salary savings and reduced discretionary spending in a number of services throughout the department.

4.4.4 Dedicated Schools Grant

Activity	Variance £'000	Reason	Action Being Taken

Dedicated Schools Grant (Control Account) as at the end of the 2017/18 financial year was in **deficit** by £11,127,000.

The DSG Control Account is the mechanism by which local authorities receive funding from the Government for distribution through various funding formulae to Schools, High Needs and Early Years as well as the Central Spend.

This is a cumulative deficit and includes overspendings brought forward from previous financial years as the table below shows.

DSG Control Account							
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	**Totals**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
DSG Control Account - deficit b/f	105	664	2,719	4,538	6,028	6,978	
DSG in-year summary variation	664	2,055	1,819	1,490	950	4,149	
Totals c/f	**769**	**2,719**	**4,538**	**6,028**	**6,978**	**11,127**	
School Balances	**-6,852**	**-6,662**	**-6,724**	**-6,786**	**-4,955**	**-4,817**	
Main Spending & Budget Variations							
DSB Balance b/f	105	n/a	n/a	n/a	n/a	n/a	**105**
DfE Underfunding - Post 16 Provision	n/a	822	612	673	366	449	**2,922**
SEN/Inclusion (incl in-year Top-ups)	226	518	278	-318	-423	1,213	**1,494**
Special Schools (LA & Independent)	48	328	1,362	1,528	460	990	**4,716**
Sickness Insurance Scheme write-off	n/a	n/a	n/a	n/a	n/a	884	**884**
Supply cover	147	222	n/a	n/a	n/a	n/a	**369**
Termination of Employment	138	100	170	99	29	248	**784**
Early Years	n/a	n/a	-648	-492	-182	-2	**-1,324**
Other central spend inc PPG	n/a	65	45	n/a	700	367	**1,177**
Total Variations	**664**	**2,055**	**1,819**	**1,490**	**950**	**4,149**	**11,127**

The major problem areas are nearly all within the High Needs block, which are continuing in 2018/19. Already the 2018/19 Forecast Overspending for Independent Special Schools is £400,000 above budget and is only for increased out-of-borough transport costs.

It is understood that there are around 50 additional placements for children with special educational needs in the 'pipeline' who could easily require funding of approx. **£1½ million** in 2018/19 and rising to over **£2 million** in a full year.

NB these additional placements are not included in the above financial forecasts and therefore it could mean that the deficit on the DSG at the end of 2018/19 would be £13 million rising to £15 million by the end of 2019/20.

The following includes the cumulative figures for the major variations listed in the above table.

Activity	Variance £'000	Reason	Action Being Taken
Independent Special Schools	Balance +4,716 Additional spending on SEND transport +400 Forecast additional spend +1½ million (see above note)	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. The current budget is of £5.6 million and includes the cost of home to school transport provided by the independent institutions, which is estimated to annually cost another £400,000 per year. (See above comment within Home to School Transport for SEN pupils).
Post-16 Commissioned Places	Balance +2,922	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 5 years ago. Unfortunately insufficient funding monies were transferred to Bury to meet all of the on-going requirements of these vulnerable students.

SEN/Inclusion (incl in-year Top-ups)	Balance +1,494		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.
Schools' Sickness Insurance Scheme	+884	Remnant amount on the Balance Sheet	The Insurance Scheme ceased to be offered as a traded service to schools at the end of the 2016/17 financial year as it was in deficit for 5 years. During the 3 month cessation period several schools submitted claims that increased the level of the deficit above the 2016/17 premiums and these were unrecoverable in 2017/18. Consequently the remnant amount was transferred off the Balance Sheet to the DSG Revenue Account at the end of the 2017/18 financial year. The recovery plan is to clear the deficit from the additional monies being provided by the National Funding Formula over the next few years – see deficit recovery plan below.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Summary Position of the Department's overspendings – £14,828,000. Potential additional spending within the DSG of between £1½ million and £2 million			
General Fund	+3,347		See detailed statements in "General Fund Cost Bridges"
Dedicated Schools Grant –2018/19 only	+400		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	+11,127		Unlike overspendings by services funded through the General Fund that are 'written-off' by the Council at the end of the financial year, 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.
Potential impact on the Control Account in 2018/19 and 2019/20	£1½M (part year) £2M (FYE)		See 'NB' note above
Activity	**Variance £'000**	**Reason**	**Action Being Taken**

DSG Control Account Deficit Recovery Plan

This level of overspending and low levels of funding are not sustainable as sometime in the future the local authority will not have sufficient monies available to finance the deficit within the Dedicated Schools Grant.

Discussions have taken place with officials from the Department for Education, who were fact-finding to help build a business case for extra funding to meet the escalating demand for High Needs for submission to HM Treasury as part of the autumn's Budget Spending Review.

A number of options are being considered that could contribute towards the demand pressures and help to reduce the deficit on the DSG Control Account. The financial effects of these are shown in the table below

- Mandatory Cost Threshold – schools now have to contribute the first £6,000 of their pupil's Education and Healthcare Plan from their delegated budgets.
- Traded Service for SEN Support and Inclusion – funding of services such as CLAS from schools' delegated budgets and/or reduced levels of services.
- Transfer some SEN Support and Inclusion services out of the DSG to be funded by the local authority, which has significant financial problems and therefore could lead to the reduction in the levels of these services to schools, pupils and students.
- Implement annual efficiencies in other SEN Support and Inclusion services.
- Request a Block Transfer of £1 million from the Schools Block to the High Needs block – NB subject to approval each year by the Secretary of State.

Year	18/19	19/20	20/21	21/22	Totals
	£m's	£m's	£m's	£m's	£m's
Schools Mandatory Cost Threshold (1st £6,000)	-2.25	-2.25	-2.25	-2.25	-9.0
SEN Support & Inclusion – Traded	-0.4	-1.0	-1.4	-1.4	-4.2
SEN Support & Inclusion – General Fund	0.0	-0.3	-0.3	-0.3	-0.9
SEN Support & Inclusion – Annual Efficiencies / Savings	0.0	-0.2	-0.2	-0.2	-0.6
DSG Block Transfer	0.0	-1.0	0.0	0.0	-1.0
TOTAL RECOVERY	**-2.65**	**-4.75**	**-4.15**	**-4.15**	**-15.7**

4.5 ART GALLERY & MUSEUM

4.5.1 There is a forecast net overspend of **£95,000** due to The Museum Development income budget from prior years continuing to be unachievable.

4.6 NON-SERVICE SPECIFIC

4.6.1 There is a forecast net underspend of **£6.536m.** This relates primarily to the Council's Treasury Management activity (see Section 9.0, page 26 for further details) of an increase in investment income (£4.0m) and a reduced need in provisions of £2.5m.

5.0 CLINICAL COMMISSIONING GROUP (CCG)

5.1 At Month 3 the CCG is reporting a year to date and forecast outturn in line with its plan which has been set to deliver all NHSE business rules. In reporting this position however, the CCG is reporting a net risk position of £5.4m after mitigations of £2.5m.

Table 1: Summary Financial Performance for the Period Ending 30th June 2018

Financial Performance	£000's					
Area	YTD Budget	YTD Actual	YTD Variance	Annual Budget	FOT	FOT Variance
Allocations	**(74,067)**	**(74,067)**	**0**	**(302,811)**	**(302,811)**	**0**
Acute Services	36,976	37,354	378	149,964	150,204	240
Community Health Services	6,285	6,382	97	25,178	25,178	0
Continuing Care Services	3,071	3,156	85	12,803	12,803	0
Mental Health Services	6,974	7,054	80	27,897	28,682	785
Other Programme Services	1,862	1,856	(6)	7,364	7,353	(11)
Primary Care Services	8,971	9,031	59	36,392	36,400	8
Primary Care Co-commissioning	6,415	6,415	0	26,473	26,473	0
Programme Costs	**70,554**	**71,248**	**693**	**286,071**	**287,093**	**1,022**
Running Cost	1,080	1,080	0	4,319	4,319	0
Total Costs	**71,634**	**72,328**	**693**	**290,390**	**291,412**	**1,022**
Reserves	693	0	(693)	5,467	4,445	(1,022)
(Surplus)/Deficit	**(1,740)**	**(1,739)**	**0**	**(6,954)**	**(6,954)**	**0**

Financial Performance 2018-19

5.2 The CCG has identified several key risks during 2018/19 including a continued trend of increased non elective acute activity; the control of elective acute activity as the contract has moved to a Payment by Results (PbR) contract in 2018-19; the non-delivery of the efficiency savings (QIPP) gap of £8.4m; and the ongoing financial sustainability and quality improvement issues for the CCG's main providers. To plan

and delivery mitigating actions to address these risks the CCG is continuing its programme of accelerated savings in order to identify areas where services can be reconfigured or decommissioned.

5.3 Financial Pressures

5.3.1 At month 3, the key areas that are showing significant forecast outturn pressures are the acute and mental health services.

5.3.2 The acute services continue to be under pressure from increasing non elective activity. To date no Better Care Fund (BCF) or transformation schemes are supporting the level of deflections needed to address bring the activity in line with plan.

5.3.3 Mental health pressures continue into 2018-19 with a significant unplanned cost relating to additional bed days required to support the current level of delayed transfers of care within the mental health acute wards. Work has started with Local Authority colleagues to address this, however this will need to be escalated to urgently address the significant cost pressures (circa £0.5m per quarter).

6.0 CAPITAL BUDGET

6.1 Capital Programme

6.1.1 The revised estimated budget for the Capital Programme 2018/19 at the end of June is shown in the table below:

2018/19	£m
Original Capital Programme	25.368
(Approved) Slippage from 2017/18	28.398
In year adjustments and contributions	682
Revised Capital Allocation at Quarter 1	**54.448**
Estimated re-profiled projects into 2019/20	(9.861)
Revised working budget for Year at Qtr 1	**44.587**

6.1.2 The expenditure and funding profile for the Capital Programme together with a detailed breakdown of the Original Approved Programme, the Revised Estimate, Forecast Outturn, Actual Spend up to end of Month 3, and the estimated under/over-spend of the capital programme for 2018/19 is shown in Appendix A.

6.1.3 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.

6.1.4 At the end of Quarter1, a total of £9.861m of the 2018/19 budget has been identified for re-profiling into 2019/20. 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 £7.188m.

The remainder is attributable to Housing Development Schemes to a total of £1.173m and an amount of £1.5m for Highways maintenance projects.

6.2 Expenditure

6.2.1 The Forecast Outturn as at Month 3 is £44.733m 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 2019.

6.2.2 Actual expenditure after accruals that was realised by the end of Month 3 totals £4.1m.

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

- Housing Development schemes £1.659m
- Children's, Young People and Culture - £0.431m
- Older People £0.620m
- Highways Schemes £0.657m
- Housing Public Sector - £0.978m

6.3. Variances

6.3.1 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 overspend for the Programme of £0.148m. This amount is not material in relation to the size of the programme and it is expected to reduce as schemes progress in year. All forecasted overspends are routinely monitored and analysed by budget managers with remedial action initiated as soon as the risk is deemed to negatively affect the programme or its outcomes.

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

6.4 Funding

6.4.1 The funding profile included in Appendix A shows the resources available to cover the capital programme during 2018/19.

6.4.2 The principal source of funding for Capital schemes approved for the 2018/19 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 Neighbourhood working projects to a value of £4.35m, funded by Council's own resources through capital receipts and borrowing.

6.4.3 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 2019/20 and the expected resources to be supported by the Council as at the end of Quarter 1 of the year.

2018/19 Use of Council Resources for Capital Investment	£m
Revised Capital Programme allocation for the year	44.587
Use of external funding and contributions	(28.225)
Balance of programme relying on Council resources	**16.362**
Use of Capital receipts and earmarked reserves	4.776
Use of Prudential Borrowing (2018/19 approved schemes)	3.750
Use of Prudential Borrowing (2017/18 schemes brought forward)	7.836
Total Council Resources used to support the Capital Budget for Year	**16.362**

6.5 Capital Programme Monitoring

6.5.1 The programme will be monitored closely during the year by CPMG and Management Accountancy with an aim to identify potential risks to delivery of schemes on cost and time. A review of the operational programme is underway to realign schemes in the programme with the reporting timetable and target a slippage into 2019/20 to a maximum 10% of the working programme.

7.0 HOUSING REVENUE ACCOUNT

7.1 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.

7.2 The latest estimates show a projected surplus (working balance carried forward) of £1.030m at the end of 2018/19. The projected outturn shows a deficit balance of £0.899m. See Appendix B.

7.3 There are a number of variations that contribute to the projected outturn position but there is one significant area where the variance exceeds 10% and £50k that has resulted in the projected deficit balance:

- Revenue contributions to capital – the contribution required to the costs of major works to the housing stock last year was significantly lower than the budget due to significant slippage on planned schemes. Subject to Council approval these resources are now required in 2018/19 to complete the 2017/18 programme, the unspent resources in 2017/18 were transferred to the Business Plan Headroom Reserve on a temporary basis and will need to be released back to the HRA to maintain its minimum level of balances.

7.4 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 1.51% which is worse than the 1.2% void target level set in the original budget. If this performance was to continue for the rest of the year there would be a reduction in rental income of

£91k 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 £1.485m, an increase of 3% since the end of March. Of the total arrears £0.610m relates to former tenants and £0.875m relates to current tenants. An estimated £0.226m 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 £0.171m to be made.

The 2018/19 HRA estimates allow for additional contributions to the provision totalling £0.473m, £0.178m for uncollectable debts and £0.295m to reflect the potential impact that welfare benefit changes could have on the level of rent arrears. Therefore there is a potential underspend of £0.302m. The projected outturn has not been amended to reflect this as rent arrears are volatile and an increase in the numbers of Universal Credit cases is expected during the current financial year.

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 55 sales in 2016/17 and this increased to 71 sales last year.

The forecast for 2018/19 was set at 60, this being an increase of 15 on the level of sales assumed for Bury in the Government's self–financing valuation.

From July 2014 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 £80,900.

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 £3,700.

There have been 12 sales in the period April to June. This is a similar number as at this point last year. The number of applications currently proceeding is 7 higher than at this point last year so it would seem likely that the total number of sales will be higher than the original forecast.

The forecast has been amended from 60 to 70, with the increase of 10 forecast sales resulting in a potential 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.

7.5 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; it has 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%.

8.0 PRUDENTIAL INDICATOR MONITORING

8.1 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 2018/19 is outlined in the approved Treasury Management Strategy Statement.

8.2 The authority continues to monitor the Prudential Indicators on a quarterly basis and Appendix C shows the original estimates for 2018/19 (approved by Council on 21 February 2018) with the revised projections as at 30 June, 2018. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first three months of 2018/19.

9.0 TREASURY MANAGEMENT

9.1 Investments:

9.1.1 At the 30th June 2018 the Council's investments totalled £18.8m and comprised:-

Type of Investment	£m
Call Investments (Cash equivalents)	7.7
Fixed Investments (Short term investments)	11.1
Total	**18.8**

9.1.2 All investments were made in line with Link's suggested credit worthiness matrices and the approved limits within the Annual Investment Strategy were not breached during the first quarter of 2018/19.

The Council has earned the following return on investments:
Quarter 1 0.50%

9.1.3 This figure is higher than Link's suggested budgeted investment earnings rate for returns on investments, placed for periods up to three months in 2018/19, of 0.20%

9.2 Borrowing:

9.2.1 No new external borrowing has been undertaken in the quarter to 30th June 2018.

9.2.2 At 30th June 2018 the Council's debts totalled £190.506m and comprised:-

		30 June 2018		
		Principal		Avg.
		£000	£000	Rate
Fixed rate funding				
	PWLB Bury	131,453		
	PWLB Airport	550		
	Market Bury	58,500	190,503	
Variable rate funding				
	PWLB Bury	0		
	Market Bury	0	0	
Temporary Loans / Bonds		3	3	
Total Debt			**190,506**	**3.96%**

9.2.3 The overall strategy for 2018/19 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 2018/19, then savings will be made by running down investments and taking shorter term loans rather than more expensive long term borrowing.

9.2.4 It is anticipated that further borrowing will be undertaken during this financial year.

10.0 MINIMUM LEVEL OF BALANCES

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

	£m
General Fund Balance 31 March 2018 per Accounts	**7.549**
Less : Minimum balances to be retained in 2018/19 Less : Forecast overspend at Month 3	-4.250 -3.176
Forecast Available Balances at 31 March 2019	**0.123**

10.2 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 2018/19 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.

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

10.4 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.

11.0 EQUALITY AND DIVERSITY

11.1 There are no specific equality and diversity implications.

12.0 FUTURE ACTIONS

12.1 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, 2018/19 held by the Interim Executive Director of Resources & Regulation.

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