NOTICE OF KEY DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**CABINET** **OVERVIEW & SCRUTINY COMMITTEE**
DATE:	**14 NOVEMBER, 2018** **22 NOVEMBER, 2018**
SUBJECT:	**CORPORATE FINANCIAL MONITORING REPORT – APRIL 2018 TO SEPTEMBER 2018**
REPORT FROM:	**CABINET MEMBER FOR FINANCE AND HOUSING**
CONTACT OFFICER:	**GEOFF LITTLE, CHIEF EXECUTIVE** **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 2018 to September 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 September 2018.
Members are also asked to approve the recommendations from the recent LGA Finance Review regarding line management accountability to the S151 Officer as detailed in par. 2.4.

IMPLICATIONS:

Corporate Aims/Policy Framework:	Do the proposals accord with Policy Framework? Yes.
Statement by the s151 Officer:	The report has been prepared in accordance

	with all relevant Codes of Practice. There may be risks arising from remedial action taken to address the budget position; these will be identified by Directors at joint SLT / Cabinet meetings. Additionally, a series of measures was drawn up in 2016/17 to address the extremely difficult financial situation facing the Council. These have continued into 2018/19 and are detailed in par.3.6 on page 5 of this report.
Statement by Interim Executive Director of Resources & Regulation:	Successful budget monitoring provides early warning of potential major overspends or underspends against budgets which Members need to be aware of. This report draws attention to the fact that, based on the most prudent of forecasts, several budget hotspots exist which will need remedial action. Members and officers will be examining these areas in more detail at the joint SLT / Cabinet meetings.
Equality/Diversity implications:	No
Considered by Monitoring Officer:	The Council is required by statute to set and maintain a balanced budget. Careful management of the finances in year allows the Council to achieve this. This report provides a means for Members to carefully monitor the situation. Budget monitoring is a requirement of the Council's Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring and Control) relates.
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
05/11/18	**14/11/18**	**22/11/18**			

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 September 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.

2.4 Findings from recent LGA Review of Finance:

2.4.1 In July 2018 the Chief Executive requested the LGA to undertake a financial review that would provide a high level assessment of the Council's current financial position, future budget challenges and its arrangements for ensuring financial sustainability.

2.4.2 One of the findings from the review that was carried out in August is in connection to how "departmental finance officers are not professionally accountable to the statutory chief finance officer. This hinders firstly gaining a collective understanding of cost drivers and financial issues when preparing budgets and secondly, hinders the CFO ability to fulfil his responsibility as the head of the finance profession.

2.4.3 Their recommendations include:

- "changing line management arrangements to ensure all lead departmental finance officers are professionally accountable to the CFO;
- Assimilating the departmental back office support services into the corporate team;
- Generic job descriptions and flexible finance structure to enable rotation of senior finance team members;
- The use of self-assessment toolkits such as CIPFA Financial Management toolkit to gain a greater understanding of the financial expertise and financial governance across the Council".

2.4.4 Finance Officers will retain their links to the services they support but this will be on a business partners model not direct line management.

2.4.5 These recommendations align with wider proposals to strengthen the corporate core of the Council.

2.4.6 Members are asked to note and approve these recommendations.

3.0 SUMMARY OF REVENUE BUDGET POSITION

3.1 The table below outlines the annual budget and forecast outturn based upon known factors and the professional views of service managers as at month 6:

Department	Budget £000	Forecast £000	Variance £000
Communities & Wellbeing	69,899	71,346	**+1,447**
Resources & Regulation	5,686	6,419	**+733**
Children, Young People & Culture	40,175	44,295	**+4,120**
Business, Growth & Infrastructure	(3,808)	(1,880)	**+1,928**
Operations	10,477	12,183	**+1,706**
Art Gallery & Museum	439	534	**+95**
Non Service Specific	15,148	8,708	**(6,440)**
TOTAL	**138,016**	**141,605**	**+3,589**

3.2 The projected overspend of £3.589m represents approximately 2.60% of the total net budget of £138.016m.

3.3 An overview of the reasons for this variance is outlined in the table below; 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	Business, Growth & Infrastructure £'000	Art Gallery & Museum £'000	Operations £'000	Non Service Specific £'000	**TOTAL** **£'000**
Demand Pressures	4,268	2,929	0	0	0	51	547	**7,795**
Delayed Achievement of Cuts Options	135	9,021	200	740	0	1,200	0	**11,296**
Non-Achievement of Cuts Options	57	0	0	0	0	0	0	**57**
Income Shortfall	0	190	396	1,617	95	555	0	**2,853**
Planned use of one-off funding	(100)	(1,327)	0	0	0	0	(1,743)	**(3,170)**
Use of Reserves	0	(2,842)	(206)	(142)	0	0	0	**(3,190)**
Continued Impact of 10 Control Measures	0	0	(45)	0	0	0	0	**(45)**
Other	(240)	(6,524)	388	(287)	0	(100)	(5,244)	**(12,007)**
TOTAL	**4,120**	**1,447**	**733**	**1,928**	**95**	**1,706**	**(6,440)**	3,589

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.

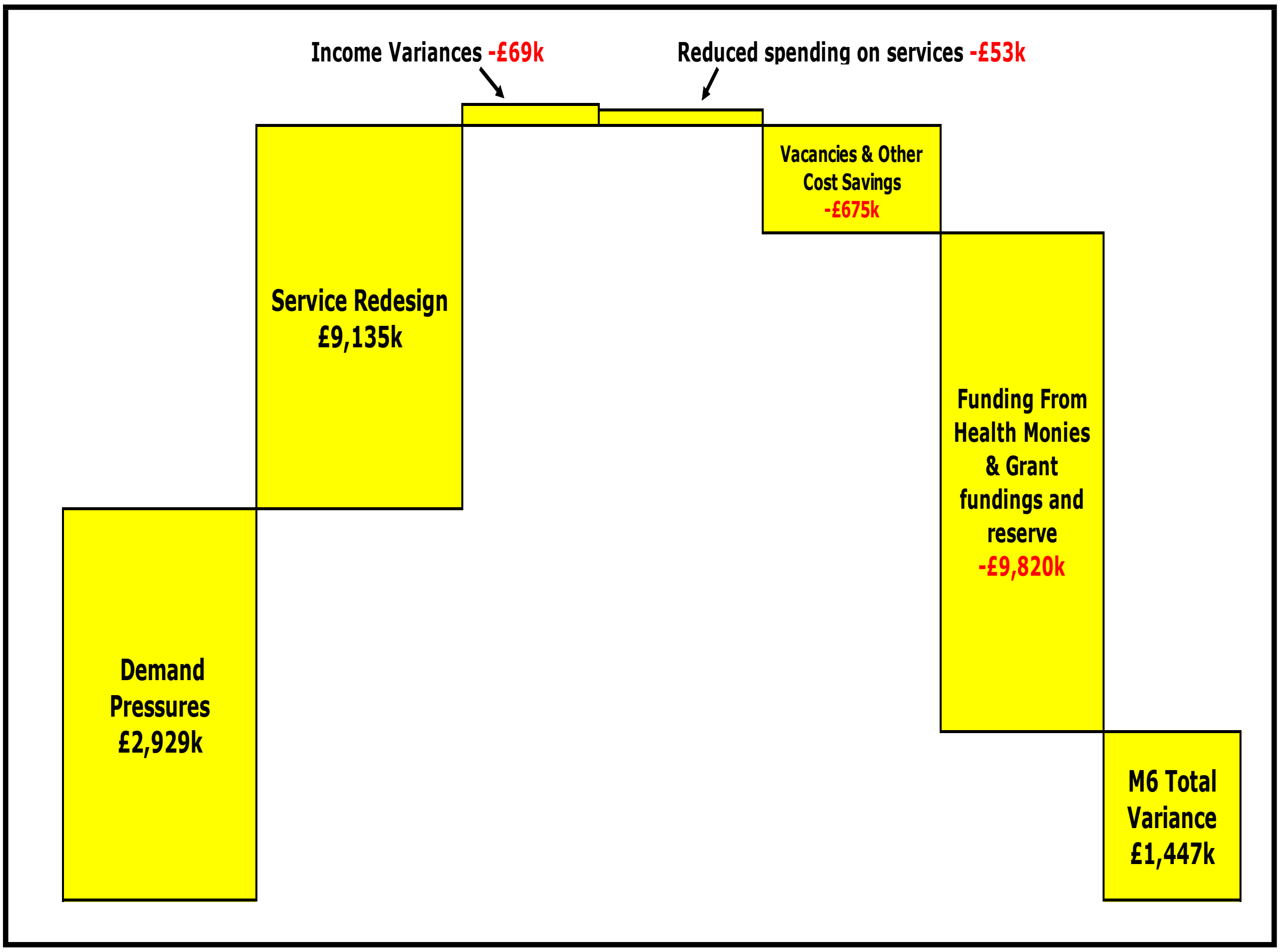
3.8 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

4.1.1 The current projected overspend for Communities and Wellbeing is **£1.447m.**

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) £5,058k. Adult Social Care Protection Grant - £1,327k. Reserves -£2,842k. System Resilience Grant -£593k.	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. This is a one off grant being used to support demand pressures within the Choices for Living Well service. One off support across Adult Social Care Budgets. Bury CCG support towards supporting the Choices for Living Well service.

Theme	Variance £'000	Reason	Action Being Taken
Sub Total	**-9,820**		
Demand Pressures		Care in the Community budgets– £1,848k (Reason: Demographic pressure). Local Reform & Community Voices - £204k (Reason: Additional cost re Deprivation of Liberty safeguarding (DoLS) assessments). Reviewing team - £149k (Reason: Staffing Costs). Corporate Policy - £36k (Reason: Housing survey review). ACS Senior Management -£50k (Reason: Contribution to Joint Authority re Health & Social care Integration). ACS Finance - £48k (Reason: Cost of 2 additional staff within PSBT team).	The pressure is being offset by IBCF support. There is ongoing review of high cost care packages. A shift to reduce the level of residential care activity. Move towards an asset based approach to care by placing people's skills, interests, community resources (i.e. assets) alongside their needs to improve care and value for money. Embed a business focussed approach within ASC operational workforce regarding the financial impact to council budgets when designing care packages. The completion of DoLS assessments is a statutory function (i.e Unavoidable). Attempts are ongoing to ensure costs of assessments are reduced/kept to a minimum and requests for authorisations are starting to plateau. IBCF resource may be utilised to support this pressure. Pressure is offset by the Improved Better Care Fund. This service is meeting statutory responsibilities and is also contributing to the departmental savings programme. This pressure is funded by departmental reserves. This pressure is funded from Corporate Reserves. This pressure is being funded from the Improved Better Care Fund. This team is responsible for clawing back un-used personal budgets.

Theme	Variance £'000	Reason	Action Being Taken
		Advice & assessment - £11k (Reason: Additional cost re Appropriate Adult Scheme). Choices for Living Well Service - £539k (Reason: Largely Staffing related) ACS Training Program Adults -£36k (Reason: property rental costs at Bury Adult Learning Centre). Community safety - £8k (Reason: small overspend on salary budget due to maternity leave).	Reduced spend on non-essential budgets. This pressure is offset by a mix of ASC protection grant Improved Better Care Fund (IBCF) and departmental Reserves. A significant amount of this pressure is related to a review high cost care packages with the aim of reducing the pressure on the care in the community budget. Generate more income from Private, Voluntary & Independent (PVI) sector. Reduced spend on non-essential budgets.
Sub Total	**+2,929**		
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)		Care in the Community budgets– £2,400k (Reason: Savings Target). Housing related Services Inclusion - £114k (Reason: savings target). Strategic Lead Strategy & Development team - £155k (Reason: Unachieved savings	The pressure is being offset by IBCF support. There is ongoing review of high cost care packages. A shift to reduce the level of residential care activity. Move towards an asset based approach to care by placing people's skills, interests, community resources (i.e. assets) alongside their needs to improve care and value for money. Embed a business focussed approach within ASC operational workforce regarding the financial impact to council budgets when designing care packages. Pressure is offset by savings within other areas of Housing Related Services. Pressure is offset by underspends on staff vacancies and secondments within Commissioning teams.

Theme	Variance £'000	Reason	Action Being Taken
		targets).	
		Finance - £1,219k (Reason: Unallocated/ Unachieved savings targets).	This pressure is funded by departmental reserves.
		Choices for Living Well -£2,740k (Reason: Unallocated/ Unachieved savings targets).	This pressure is offset by a mix of ASC protection grant Improved Better Care Fund and departmental Reserves. Savings will be met by ensuring Operational functions for social care are transferred to new service delivery models.
		Public Health -£1,198k (Reason: Core funding cuts and unachieved savings targets).	The pressure will be funded by the use of Public Health reserves. An action plan is in place to manage the on-going pressures.
		ACS Staffing section - £57k (Reason: Overspend relates to a partly unachieved savings target).	Options are being reviewed to expand the external recruitment agency.
		Civics -£332k (Reason: Largely due to low footfall at Civic venues).	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 contingent on wider developments across the council such as the development of the digital offer, transformation to Neighbourhood Working and development of Traded Services.
		Leisure - £500k (Reason: Delay in achieving savings).	The Leisure service is part of a wider Growth and Investment Review. However approximately £200k savings has already been achieved from changes to VAT regulations. Further options are underway which include a

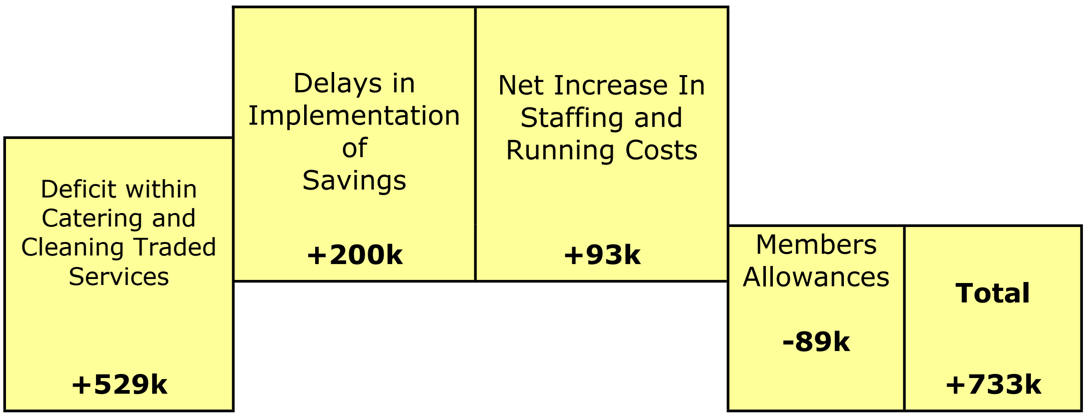
Theme	Variance £'000	Reason	Action Being Taken
			continuation of ongoing service reviews to identify efficiencies.
Sub Total	**+9,135**		
Income Variances		Accommodation Team -£93k (Reason: Additional from the accommodation of asylum seekers) ACS Carelink -£9k (Reason: Increase income from Falcon & Griffin) Employment Support -£31k (Reason: increased income from personal budgets) Quality Assurance and service Development -£9k (Reason: Increased income from training). LSC Main Grant - £33k (Reason: Lower rent contribution from Persona than anticipated). Central Community Education - £43k (Reason: reduction in Leisure learning income). Internal recruitment-£3k (Reason: new income generating scheme).	Additional income to be used to offset savings targets within Housing Related Services. Additional income to be used to support pressures elsewhere within CWB. Additional income to be used to support pressures elsewhere within CWB. Additional income from training student social workers. Renegotiation of rental income from Persona from 2019/20. A review of all service areas is being undertaken. Additional income to be used to support pressures elsewhere within CWB.
Sub Total	**-69**		
Vacancies and Other Staff Cost Savings		Commissioning & Procurement – Other Services -£290k (Reason: Staffing Vacancies). Finance -£132k (Reason: Staffing Vacancies). ASC Operations - -£238k (Reason: Staffing Vacancies).	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.

Theme	Variance £'000	Reason	Action Being Taken
		Social Development – Communications - £15k (Reason: Staffing Vacancies).	Underspends to be used to offset pressures within CWB.
Sub Total	**-675**		
Reduced spending on services		Housing Related Services - £23k (Reason: Some schemes have been delayed). Environment - £30k (Reason: Reduction in the cost of some contracts).	Underspend being used to offset pressures within other areas of Housing Related Services. Underspend being used to offset savings target within Environmental Services.
Sub Total	**-53**		
Total	**+1,447**		

4.2 RESOURCES AND REGULATION

4.2.1 The Resources & Regulation Department is forecasting an overall overspend of **£0.733m.**

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



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

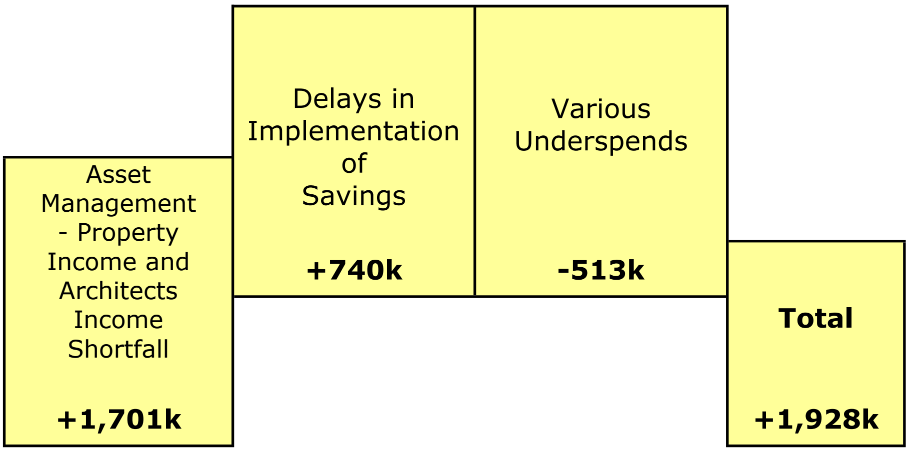
Activity	Variance £'000	Reason	Action Being Taken
Deficit within Catering and Cleaning Traded Services	+529	Salary costs higher than priced in the SLA for 2018/19 (£168,000). It was decided that the SLA prices quoted would not include the pay award for 2018/19. This was to retain custom from the schools. 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). Cost of a mutual settlement unbudgeted.	The Caretaking service is reviewing its processes and structure to ensure there is no income leakage from the relief pool. 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 as will the severance cost. 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 as far as possible in the following financial year. The appropriate salary levels will be incorporated for the pricing for the forthcoming year.
Delayed Implementation of Savings Targets	+200	Within Finance and Efficiency (£100,000) and Legal Services (£100,000).	Revised means of achieving the targets being considered. Awaiting outcome of reviews of services.
Net Increase In Staffing and Running Costs	+93	Contribution to bad debt provision (£209,000), Credit card charges overspend (£51,000), reduced retrospective rebate income re Procurement (£40,000) offset by net underspends on staffing (£127,000).	Ongoing management of the budgets in order to reduce staffing and running costs spend and to use additional income from Payroll where achieved.

Members Allowances	-89	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 **£1.928m.**

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



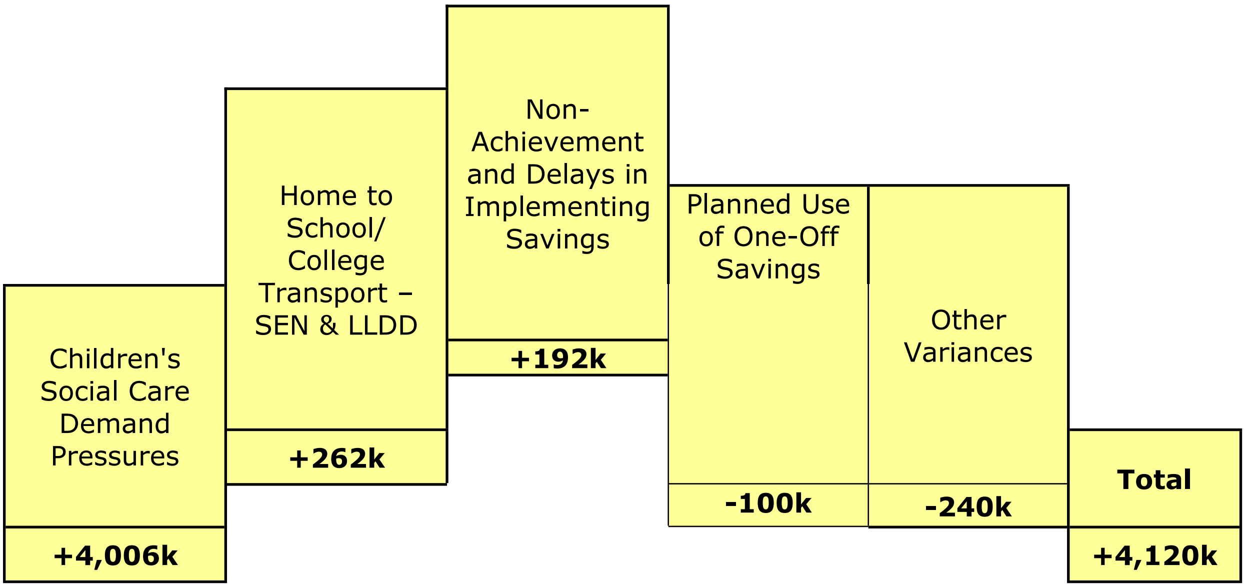
Activity	Variance £'000	Reason	Action Being Taken
Property Services Income Shortfall	+1,507	Underachievement in income against budget owing to property sales (£283,000). Void properties for letting and rent reductions (£323,000). Town Centre ground rent income underachieving against budget (£337,000).	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 (£478,000). Shortfall in Markets income (£86,000).	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.
Architects Income Shortfall	+194	Shortfall in Architects income (£194,000) 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).	Unless the mandatory use of our own internal services is encouraged it is impossible to forecast the outcome with any degree of accuracy. Therefore it is difficult to provide a positive narrative to mitigate any projected overspend and we may only consider further efficiencies and the potential reduction of our expenditure relating to resources.
Delayed Implementation of Savings Targets	+740	Within Markets (£30,000), Admin Buildings (£266,000), Property Services (£100,000), Urban Renewal (100,000), Architects (£194,000) and Localities (£50,000).	Revised means of achieving the targets being considered. Awaiting outcome of reviews of services.
Various Underspends	-513	Reduced AGMA costs in Economic Development (£19,000), no Evergreen contribution (£19,000), additional planning application fee income (£59,000), reduced CRC allowances in Energy Conservation (£106,000), additional CCG rental income for Admin Buildings (£76,000) plus savings on salaries and running costs (£234,000).	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 **£4.120m.**

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



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 - £4,006k			
Short Breaks Service	+120	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	+2,001	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 2 additional high cost residential placements since month 5 that have increased the forecast overspending by £240,000.
Through Care Support Costs	+544	On-going Demand pressures	Forecast housing expenditure based on the number of care leavers supported through the budget.
Independent Fostering Agencies	+709	On-going Demand pressures	Forecast is based on the number of children in Independent Fostering Agency placements.

Fostering Team	+161	Ongoing Demand pressures	Forecast overspend due to current level of demand.
Adoption Service	+133	One-off	Due to sibling groups and individual children being placed for adoption with families outside of the Regional Adoption Agency creating additional costs for the Authority.
Safeguarding	+338	One-off	Safeguarding Unit (+29) Additional costs due to maternity covered by Agency with no budget for cover. Safeguarding Teams (+194) – Staff issues will mean that this service will still overspend due to agency staff covering posts. Emergency Duty Team (+75) – Service is struggling to recruit staff and is now reliant on agency staff to cover the statutory hours required. Initial Response Team (+40) – 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**

Activity	Variance £'000	Reason	Action Being Taken
Home to School/College Transport (SEND & LLDD) - £262k			
Home to School Transport – SEND (Special Educational Needs & Disabilities) Home to College Transport – LLDD (Post-16 Learners with Learning Difficulties and Disabilities	+262	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 has increased following the schedule updates in September for the new and increased cohort requiring transport. 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. £662,000 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 - £192k			
Libraries	+97	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.

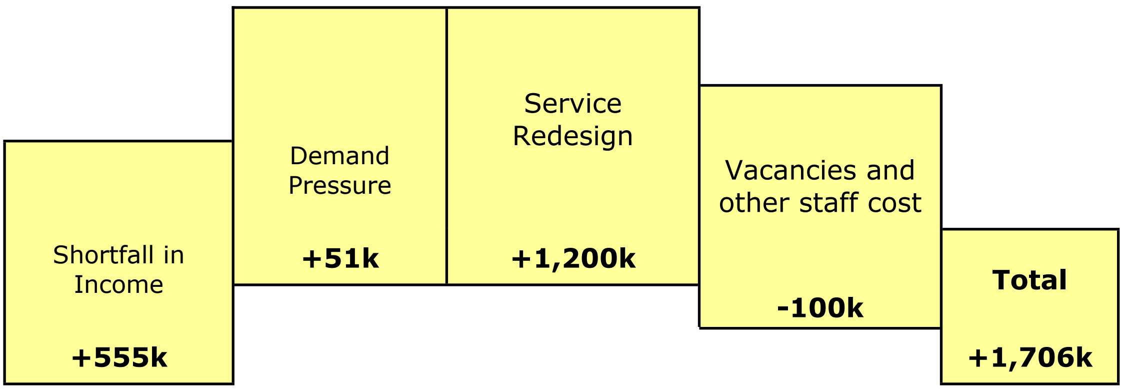
Statutory Regulatory	+57 +38	Remainder of the 2016/17 and 2017/18 savings that have yet to be achieved Probable on-going shortfall	At the beginning of 2016, it became apparent that the financial problems within the Dedicated Schools Grant meant that the 2016/17 savings option "External Funding Optimization" 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 £209,000. Childcare & Extended Services (+38): Delays in decision of allocating savings target, offset by delays in implementing new structure.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Planned Use of One-Off Funding – £100k			
Connexions	-100	One-off prior year grant funding	Prior year ESF grant funding to be used to offset against the departmental overspend.
Other - £240k			
External Legal Fees	+83	On-going	The increase in volume of court cases over the following months will attract additional court and barrister fees.
Safeguarding Building Costs	+24	One-off	Additional costs due to the delay in vacating Higher Lane.
Child Sexual Exploitation	+50	One-off	The team has a 12 month secondment of a team manager additional to the establishment.

Children's Domestic Violence	-58	One-off	A new team that is not yet fully staffed.
Reach Out ASU	-89	One-off	Vacant post and other savings identified due to changes in the planned delivery of the service.
Support at Home	-25	Ongoing	Savings achieved through Support work being done by the Reach Out Project.
Connexions & Youth Service	-48	One-off	Salary savings & use of one-off grant.
CS Human Resources	-130	One-off	Salary savings due to delays in the new structure being put in place.
Performance, Planning & Commissioning	-32	One-off	Salary savings.
Other	-15	One-off	Salary savings and reduced discretionary spending in a number of services throughout the department.

4.5 Department of Operations

4.5.1 The Department of Operations is forecasting an overall overspend of **£1.706m.**

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



4.5.3 Reasons for major variations are illustrated in the table overleaf;

Activity	Variance £'000	Reason	Action Being Taken
Income variance	+455	**Engineering** Estimated shortfalls in income relating to Off street parking (£272,000), Greater Manchester Road Activities Permit Scheme (GMRAPS) (£27,000), bus lane enforcement (£73,000), decriminalised parking fines (£90,000), coring (£37,000). These are offset by estimated surpluses in Council parking permits (£35,000), on-street parking receipts (£9,000).	The shortfalls have arisen as a result of historic income targets, which are unachievable or where circumstances have now changed; Car park income target does not take into account the fact that the Council no longer has the majority of car parks. 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 Borough.
	+100	**Grounds Maintenance** Shortfall in income from Schools and reduced S106 works.	Reduced expenditure where possible, upskill the workforce so more work can be done in-house.
Sub Total	**+555k**		

Service Redesign	+1,200	Waste Management – delay in achieving savings target.	Ongoing service performance and staffing review has created a £250k saving already included within the projections. Full range of strategic options developed for SLT/Cabinet consideration. Largest income generation will be charging for green waste collections as recently implemented in Rossendale and Trafford, however the initial focus will be on service provision efficiencies. Continue to develop new models of working.

Sub Total	**+1,200**		

Demand Pressure	+51	Street Cleaning – Overspend on staffing budgets due to long term sickness	Reduce spending on non-essential expenditure where possible.
Sub Total	**+51**		

Vacancies and Other Staff savings	-52 -48	Traffic Management – saving on staffing budgets due to vacancies. Waste Management – Education Awareness Team - saving on staffing budgets due to vacancies.	Underspends are being used to offset overspends elsewhere within Engineers. Underspends are being used to offset overspends elsewhere within Waste Management.
Sub Total	**-100**		

Total Operations	**+1,706**		

4.6 ART GALLERY & MUSEUM

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

4.7 NON-SERVICE SPECIFIC

4.7.1 There is a forecast net underspend of **£6.440m.** This relates primarily to the Council's Treasury Management activity (see Section 9.0, page 28 for further details) of an increase in investment income (£4.0m), a reduced need in provisions of £2.5m plus a projected overspend of £547,000 on the Coroner's Court budget.

5.0 CLINICAL COMMISSIONING GROUP (CCG)

5.1. At Month 6, the CCG is reporting a year to date position and forecast outturn in line with plan.

5.2. However, the CCG is reporting a net risk position of £2.0m.

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

Financial Performance	£000's					
Area	YTD Budget	YTD Actual	YTD Variance	Annual Budget	FOT	FOT Variance
Allocations	**(147,651)**	**(147,651)**	**0**	**(297,386)**	**(297,386)**	**0**
Acute Services	74,453	75,575	1,122	150,893	152,463	1,570
Community Health Services	12,535	12,708	172	25,153	25,303	150
Continuing Care Services	6,692	6,663	(30)	13,553	13,687	134
Mental Health Services	14,256	14,720	464	28,196	29,165	969
Other Programme Services	4,338	4,366	30	7,877	7,898	21
Primary Care Services	18,237	18,599	362	36,228	36,345	117
Primary Care Co-commissioning	12,853	12,853	0	26,473	26,473	0
Programme Costs	**143,364**	**145,484**	**2,120**	**288,373**	**291,334**	**2,961**
Running Cost	2,167	2,167	0	4,349	4,349	0
Total Costs	**145,531**	**147,651**	**2,120**	**292,722**	**295,683**	**2,961**
Reserves	2,120	0	(2,120)	4,664	1,703	(2,961)
(Surplus)/Deficit	**0**	**(0)**	**0**	**0**	**0**	**0**

Financial Performance 2018-19

5.3. Key risks identified to be managed and mitigated during 2018/19 continue to be the 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. The programme of accelerated savings continues to monitor development and delivery of work streams in order to identify areas where services can be reconfigured or decommissioned.

5.4. Financial Pressures

5.4.1 At month 6, key areas that are showing significant forecast outturn pressures are the acute and mental health services.

5.4.2 The acute services continue to be under pressure from increasing non elective activity. Financially this pressure is mitigated due to a 'cap' agreed within the main provider contract, however this is contributing to the CCG underlying deficit position of £5.6m as the contract baseline will be reset in 2019/20. To date no Better Care Fund (BCF) or transformation schemes are supporting the level of deflections needed to address sustainable management or reduction of activity in line with the plan.

5.4.3 Mental health pressures continue into 2018-19 with a significant unplanned cost relating to additional bed days required to support the high level of delayed transfers of care within the mental health acute wards. Work with Local Authority colleagues to address this has been ongoing which has brought the level of delayed transfers of care significantly down, however work is required to ensure that delays are maintained at minimum levels.

5.5. QIPP Delivery

5.5.1 Table 4 below summarises the forecast QIPP delivery against target at month 6. The recurrent impact of schemes is also noted in the table. The total risk to the delivery of the £8.5m target is £3.4m, which largely relates to the unidentified gap.

Table 2: Summary of forecast QIPP delivery as at month 6

	£000's			
Area	**QIPP Target**	**YTD**	**Total**	**Recurrent**
Acute	2,150	8	1,074	2,100
Community	170	52	132	-
Intermediate Care	2,150	1,075	2,150	480
Mental Health	170	51	102	27
Prescribing	500	250	500	500
Primary Care	160	52	178	234
Running cost	300	100	200	200
Unidentified	2,890	-	-	-
Non recurrent mitigations - known	-	2,490	2,490	-
Non recurrent mitigations - anticipated	-	-	1,664	-
Total	**8,490**	**4,078**	**8,490**	**3,541**

QIPP Tracker 2108/19

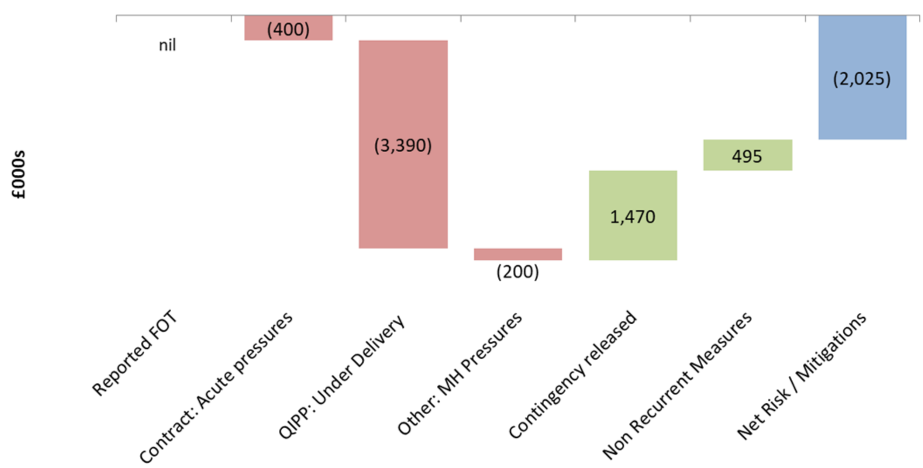
5.5.2 A thorough review of anticipated scheme financial delivery has taken place at month 6. The above table also reflects the delivery of non-recurrent mitigations brought into the YTD financial position. This predominantly relates to the release of contingency balances, received allocations where costs were included in the baseline and funding received for costs incurred relating to transformation schemes.

5.5.3 The risk to delivery of existing schemes and the identification of further schemes and mitigations is being managed and monitored and managed through the accelerated savings group on a regular basis.

5.6 Risk adjusted forecast outturn

5.6.1 The risk adjusted forecast outturn has reduced from £4m deficit at month 5 to £2m deficit at month 6, as improved assessments of the delivery of QIPP schemes are made and non-recurrent mitigations are confirmed. Work continues to identify and manage further risks together with the identification of mitigations.

Figure 1: Risk adjusted forecast outturn at month 6:



6.0 CAPITAL BUDGET

6.1 Capital Programme

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

2018/19	£m
Original Capital Programme	25.368
Slippage from 2017/18	28.398
In year adjustments	1.480
Midyear review of Programme	(14.606)
Revised Capital Allocation at Quarter 2	**40.640**
Estimated slippage into 2019/20	0
Revised working budget for Year at Qtr2	**40.640**

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 to the end of Month 6, 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 During this second quarter budget managers undertook a review of the programme and identified projects that will not start by the end of this financial year; this is due to the timing of planning, delivery capacity or pressures elsewhere in the programme.

6.1.5 The larger schemes in the programme were also reviewed to establish the actual cash flow requirement over the duration of their projected delivery and this is now aligned in the expected expenditure for this financial year.

6.1.6 A total of £14.606m of the 2018/19 budget was agreed therefore to be shown as re-profiled into 2019/20. The majority of re-profiled funding relates to Children Services Projects where the schemes are funded mainly by grants from Department of Education, to a total of £9.819m. The remainder is attributable to Housing Development Schemes to a total of £2.308m and £1.9m for Highways maintenance and flood repair and defence projects.

6.1.7 The programme will continue to be reviewed at Qtr3 to ensure the estimated expenditure is reflected in the final budgets for the year.

6.2 Expenditure

6.2.1 The Forecast Outturn as at Month 6 is projected to be £40.933m and Budget Managers have reported that they expect to spend in accord to this by 31 March 2019.

6.2.2 Actual expenditure after accruals that was realised by the end of Month 6 totals £12.980m.

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

- Housing Development schemes £2.999m
- Children's, Young People and Culture £3.137m
- Property Development £0.554m
- Highways Schemes £2.908m
- Housing Public Sector £3.132m

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 Month6 it shows a projected overspend for the Programme of £0.292m.

6.3.2 This amount is not material in relation to the size of the programme and it is expected to reduce as schemes progress in year.

6.3.3 All forecasted overspends are routinely monitored and analysed by budget managers and management accounts with remedial action initiated as soon as the risk is deemed to negatively affect the programme or its outcomes.

6.3.4 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 external resources together with resources set aside and carried forward from previous years.

6.4.3 The Council has approved in 2017/18 new allocations as part of a three year programme towards Highways Improvement works and in 2018/19 a budget for Neighbourhood working projects to a total value of £4.35m, funded by Council's own resources through capital receipts and borrowing.

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

2018/19 Use of Council Resources for Capital Investment	**£m**
Revised Capital Programme allocation for the year	40.640
Use of external funding and contributions	(23.269)
Balance of programme relying on Council resources	**17.371**
Use of Capital receipts and earmarked reserves	5.098
Use of Prudential Borrowing (2018/19 approved schemes)	3.760
Use of Prudential Borrowing (2017/18 schemes brought forward)	8.513
Total Council Resources used to support the Capital Budget for Year	**17.371**

6.5 Capital Programme Monitoring

6.5.1 The programme will continue to be monitored closely during the year by CPMG and Management Accountancy with an aim to identify any potential risks to delivery of schemes on cost and time.

6.5.2 The review of the operational programme will ensure that re-profiled schemes into 2019/20 (see paragraph 6.1.6) will benefit from a refined planning process and will aim to achieve a 'true' slippage target that is consequential only to factors outside the Council's control.

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 £1.209m. See Appendix B.

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

- General Management - the projected outturn reflects the introduction of a £0.400m contribution to the authority's Corporate and Democratic Core costs – this is an accepted charge to the HRA and has been identified as part of the review of Housing Services.
- 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 September was on average 1.35% which is worse than the 1.2% void target level set in the original budget but a marked improvement on the 1st quarter performance. If this performance was to continue for the rest of the year there would be a reduction in rental income of £44k 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 September totalled £1.606m, an increase of 11% since the end of March. Of the total arrears £0.667m relates to former tenants and £0.939m relates to current tenants. An estimated £0.250m 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 £0.249m 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 £0.224m. 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.

The forecast was amended at quarter 1 from 60 to 70. There have been 24 sales in the period April to September. This is 9 less than at this point last year. The number of applications currently proceeding is very similar to this point last year. On this information the forecast has been revised back down to 60 and will be reviewed again at the end of quarter 3; 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 September, 2018. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first six months of 2018/19.

9.0 TREASURY MANAGEMENT

9.1 Investments:

9.1.1 At the 30th September 2018 the Council's investments totalled £4.8m and comprised:-

Type of Investment	£M
Call Investments (Cash equivalents)	3.6
Fixed Investments (Short term investments)	1.2
Total	**4.8**

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.

9.1.3 The Council has earned the following return on investments:
Quarter 1 0.50%
Quarter 2 0.61%

9.1.4 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 0.61%.

9.2 Borrowing:

9.2.1 External borrowing of £8.5m was undertaken in the quarter to 30th September 2018. 5 short term temporary loans were taken to take advantage of low interest rates. The loans were required to replace 4 loans, totalling £12m, which matured in the first half of the year.

9.2.2 At 30th September 2018 the Council's debts totalled £189.003m and comprised:-

		30 September 2018		
		Principal		Avg.
		£000	£000	Rate
Fixed rate funding				
	PWLB Bury	131,453		
	PWLB Airport	550		
	Market Bury	48,500	180,503	
Variable rate funding				
	PWLB Bury	0	0	
	Market Bury	0	0	
Temporary Loans / Bonds		8,500	8,500	
Total Debt			**189,003**	**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 6 Add: Contribution to General Fund balances per 2018/19 Budget report	-4.250 -3.589 +2.811
Forecast Available Balances at 31 March 2019	**2.521**

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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