NOTICE OF KEY

Agenda

Agend

MEETING:	**OVERVIEW & SCRUTINY COMMITTEE** **CABINET**
DATE:	**13 FEBRUARY, 2019** **20 FEBRUARY, 2019**
SUBJECT:	**CORPORATE FINANCIAL MONITORING REPORT – APRIL 2018 TO DECEMBER 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.

SUMMARY:	The report informs Members of the Council's financial position for the period April 2018 to December 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 31 December 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 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 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 joint CLT / 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/ Senior Leadership Team	Cabinet	Overview & Scrutiny Committee	Council	Ward Members	Partners
28/01/19	**20/02/19**	**13/02/19**			

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 31 December 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 Joint Executive Team (JET) and the Corporate Leadership Team on a monthly basis and detailed monitoring information will also be discussed at joint CLT / 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 9:

Department	Budget £000	Forecast £000	Variance £000
Communities & Wellbeing	69,886	71,207	**+1,321**
Resources & Regulation	5,744	6,452	**+708**
Children, Young People & Culture	40,171	44,630	**+4,459**
Business, Growth & Infrastructure	(3,785)	(1,801)	**+1,984**
Operations	10,467	12,195	**+1,728**
Art Gallery & Museum	438	519	**+81**
Non Service Specific	15,095	7,422	**(7,673)**
TOTAL	**138,016**	**140,624**	**+2,608**

3.2 The projected overspend of £2.608m represents approximately 1.89% 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 9 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	4,618	4,237	0	0	0	81	537	**9,473**
Delayed Achievement of Cuts Options	129	9,519	800	850	0	1,230	0	**12,528**
Non-Achievement of Cuts Options	212	0	0	298	0	0	0	**510**
Income Shortfall	0	165	621	1,705	95	528	0	**3,114**
Planned use of one-off funding	(121)	(1,502)	0	0	0	0	(1,743)	**(3,366)**
Use of Reserves	0	(4,025)	(456)	(582)	0	0	0	**(5,063)**
Continued Impact of 10 Control Measures	0	0	(50)	0	0	0	0	**(50)**
Other	(379)	(7,073)	(207)	(287)	(14)	(111)	(6,467)	**(14,538)**
TOTAL	**4,459**	**1,321**	**708**	**1,984**	**81**	**1,728**	**(7,673)**	**2,608**

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 at the time 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 CLT);

2. Release of all existing casual / agency staff (exceptions to be signed off by CLT);

3. Cease overtime / additional hours (exceptions to be signed off by CLT);

4. Enter into no new training commitments, and review existing arrangements (exceptions to be signed off by CLT);

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 CLT);

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.

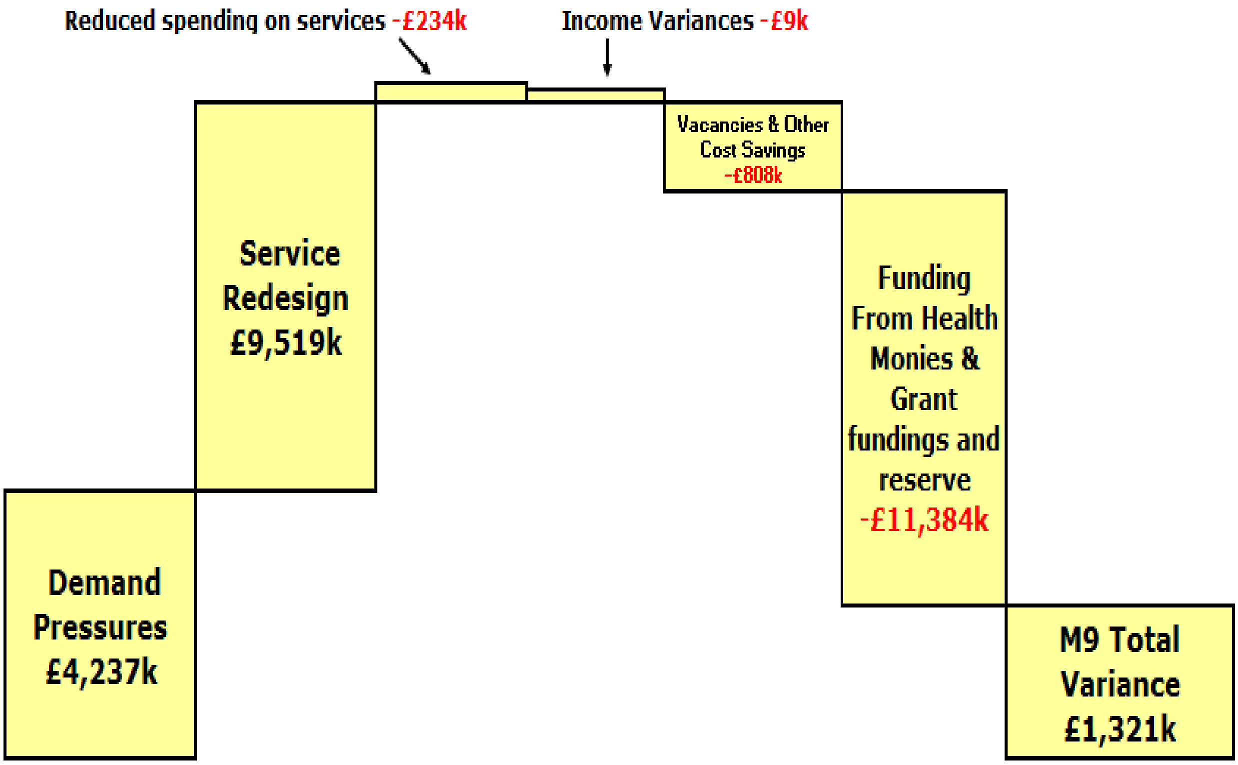
3.8 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

4.1.1 The current projected overspend for Communities and Wellbeing is **£1.321m.**

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) -£5,264k Adult Social Care Protection Grant -£1,327k Reserves -£3,955k System Resilience Grant -£593k GM Transformation -£175k Corporate Reserves – £70k	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. Cost of High package reviewing team. Contribution to GM Health & Social Care Integration and Bury Safe Place scheme.
Sub Total	**-11,384**		
Demand Pressures		Housing Related Services - £168k Care in the Community budgets– £2,615k (Reason: Demographic pressure) Local Reform & Community Voices - £204k (Reason: Additional cost re	Increase in costs as a result of an increased property portfolio. The pressure is being offset by IBCF support. There is an ongoing review of high cost care packages and a shift to reduce the level of residential care activity 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. In addition the ASC operational workforce will adopt a business focussed approach when designing care packages with regard to the financial impact to council budgets. The completion of DoLS assessments is a statutory function (i.e. unavoidable). Attempts are ongoing to

Theme	Variance £'000	Reason	Action Being Taken
		Deprivation of Liberty safeguarding (DoLS) assessments)	ensure costs of assessments are reduced/kept to a minimum and requests for authorisations are starting to plateau.
		Reviewing team - £146k (Reason: Staffing Costs)	Pressure is offset by the Improved Better Care Fund. This service is meeting statutory responsibilities and is also contributing to the departmental savings programme.
		Strategic Safeguarding team - £10k (Reason: additional cost of safeguarding)	This pressure is funded from the Transformation Reserve.
		Corporate Policy - £64k (Reason: Housing survey review and S.106 works)	This pressure is funded by departmental reserves/s.106 reserves.
		ACS Senior Management -£12k (Reason: Additional staffing cost)	This pressure is funded by departmental reserves.
		ACS Senior Management -£50k (Reason: Contribution to Joint Authority re Health & Social care Integration)	This pressure is funded from Corporate Reserves.
		ACS Finance - £48k (Reason: Cost of 2 Direct Payment Auditors)	This pressure is being funded from the Improved Better Care Fund. This small team is responsible for clawing back unused personal budgets.
		ACS Finance - £5k (Reason: Additional funeral expenses)	Reduced spend on non-essential budgets.
		Advice & assessment - £11k (Reason: Additional cost re Appropriate Adult Scheme)	Reduced spend on non-essential budgets.
		Redbank Extra Care - £85k (Reason: Domiciliary Care related expenditure)	Funded from Reserves.
		Choices for Living Well Service £-175k	This pressure is expected to be funded from the GM

Theme	Variance £'000	Reason	Action Being Taken
		(Reason: cost of High Package Reviewing Team)	Transformation Fund budget.
		Choices for Living Well Service - £100k (Reason: additional cost associated with winter pressures)	This pressure is being funded from the Winter Pressures funding.
		Choices for Living Well Service - £317k (Reason: largely staffing related)	This pressure is offset by a mix of ASC Protection Grant, Improved Better Care Fund and departmental reserves. A significant amount of this pressure is related to a review of high cost care packages with the aim of reducing the pressure on the care in the community budget.
		Welly café -£1k (Reason: minor variation)	Reduce spend on non-essential budgets.
		Quality Assurance & Service Development - £77k (Reason: Additional staff cost)	To be funded from IBCF.
		Assessment & Care Management -£10k (Reason: Additional staff cost	Generate more income from Private, Voluntary & Independent (PVI) sector.
		Disability Services (Penine) - £28k (Reason: Agency Staff)	This pressure is funded by departmental reserves.
		Resilience Fund - £15k (Reason: Agency Staff Costs)	This pressure is funded by departmental reserves.
		Community Safety - £8k (Reason: small overspend on salary budget due to Maternity leave)	Reduce spend on non-essential budgets.
		Countryside -£23k (Reason: increase cost due to Burrs Activity Centre retuning to Council control)	Offset by staff vacancies.
		Sports & Leisure – £65k (Reason: Costs associated with Gym	This pressure is funded by departmental reserves.

Theme	Variance £'000	Reason	Action Being Taken
		Equipment and bridging the gap)	
Sub Total	**+4,237**		
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 - £146k (Reason: savings target) Strategic Lead, Strategy & Development team - £155k (Reason: Unachieved savings targets) Finance - £1,219k (Reason: Unallocated/ Unachieved savings targets) Choices for Living Well - £2,680k (Reason: Unallocated / Unachieved savings targets) Public Health -£1,735k (Reason: Core funding cuts and unachieved savings targets) ACS Staffing section - £45k (Reason: Overspend relates to a partly unachieved	The pressure is being offset by IBCF support. There is an 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. This pressure is funded by departmental reserves. 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. The pressure will be funded by the use of Public Health reserves. An action plan is underway to manage the on-going pressures. Options are being reviewed to expand the external recruitment agency.

Theme	Variance £'000	Reason	Action Being Taken
		savings target) Civics - £218k (Reason: Largely due to low footfall at Civic venues) Environment - £420k (Reason: Unachieved savings target) Leisure - £500k (Reason: Delay in achieving savings)	 This service is part of a wider Growth and Investment Review to address low footfall. The savings target is linked to a joint review across the Communities & Wellbeing Department and the Resources & Regulation Department. Phase 2 of the review has been completed and a report was to be presented to Joint Executive Team (JET) in January. Next steps & savings will be subject to guidance from JET however if recommendations are approved then the full saving will be achieved during 2019/20. The Leisure service is part of a wider Growth and Investment Review. An external consultant review of the existing facilities and business has been carried out. This report has been finalised and is due to be taken JET for agreement and for direction on the way forward.
Sub Total	**+9,519**		
Income Variances		Accommodation Team- -£99k (Reason: Additional income from the accommodation of asylum seekers) Corporate Policy - - £40k (Reason: Additional affordable housing admin fees) Sheltered Housing Support - £20k (Reason: Reduced supporting people income) ACS Carelink - £8k (Reason: Increase income from Falcon & Griffin) Employment Support - -£31k (Reason:	Additional income to be used to offset savings targets within Housing Related Services. Additional income to be used to support pressures elsewhere within CWB. Offset by underspends on supporting people contracts. Additional income to be used to support pressures elsewhere within CWB. Additional income to be used to support pressures elsewhere

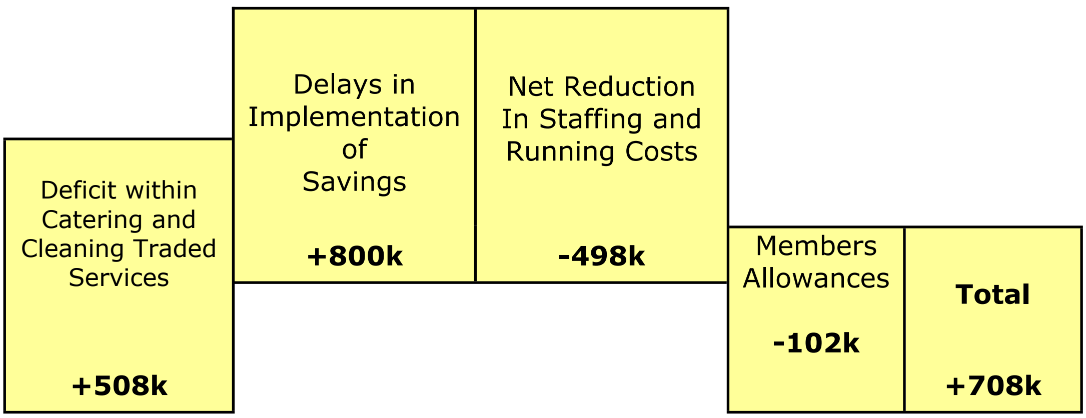
Theme	Variance £'000	Reason	Action Being Taken
		increased income from personal budgets).	within CWB.
		Quality Assurance and Service Development - -£7k (Reason: Increased income from training)	Additional income from training student social workers.
		LSC Main Grant - £33k (Reason: Lower rent contribution from Persona than anticipated)	Renegotiation of rental income from Persona from 2019/20.
		Central Community Education - £18k (Reason: reduction in Leisure learning income)	A review of all service areas is being undertaken.
		Internal recruitment- £9k (Reason: new income generating scheme)	Additional income to be used to support pressures elsewhere within CWB.
		Beverage Services - £114k (Reason: Low Footfall/demand below budgeted activity)	This service is part of a wider Growth and Investment Review to address low footfall.
Sub Total	**-9**		
Vacancies and Other Staff Cost Savings		Commissioning & Procurement – Other Services -£340k (Reason: Staffing Vacancies)	Underspend being used to offset pressures within other areas of Commissioning & Procurement.
		Finance -£72k (Reason: Staffing Vacancies)	Underspend being used to offset pressures within other areas of Finance.
		ASC Operations - -£336k (Reason: Staffing Vacancies)	Underspend being used to offset pressures within other areas of ASC Operations.
		Community Safety - £40k (Reason: Staffing Vacancies)	Underspends to be used to offset pressures within Housing Related Services.
		Parks & Countryside - £20k (Reason: Staffing Vacancies)	Underspend to be used to offset overspend within Countryside.
Sub Total	**-808**		
Reduced spending on services		Housing Related Services - £23k (Reason: Some schemes have been	Underspend being used to offset pressures within other areas of Housing Related Services.

Theme	Variance £'000	Reason	Action Being Taken
		delayed) Supporting People Grant - £157k (Reason: Some schemes have been delayed) Workforce Modernisation - £4k (Reason: Minor variation) Environment - £50k (Reason: Reduction in the cost of some contracts)	 Underspend being used to offset pressures within other areas of Commissioning & procurement. Underspend being used to offset pressures within other areas of Workforce Modernisation. Underspend being used to offset savings target within Environmental Services.
Sub Total	**-234**		
Total	**+1,321**		

4.2 RESOURCES AND REGULATION

4.2.1 The Resources & Regulation Department is forecasting an overall overspend of **£0.708m.**

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	**+508**	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 of 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	**+800**	Within Finance and Efficiency (£200,000), Legal Services (£150,000), Customer Support & Collections (£200,000), ICT (£100,000) and Community Safety (£150,000).	Revised means of achieving the targets being considered. Awaiting outcome of reviews of services.

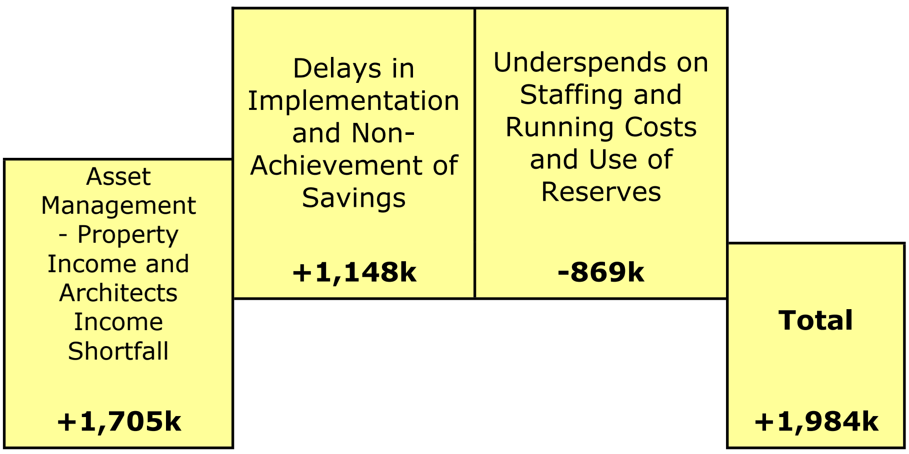
Net Increase In Staffing and Running Costs	**-498**	Contribution to bad debt provision (£209,000), Credit card charges overspend (£51,000), reduced retrospective rebate income re Procurement (£42,000), AGMA subscriptions (£38,000) and software licences (£46,000) offset by use of reserves (£166,000) and net underspends on staffing and running costs (£718,000).	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	**-102**	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 **£1.984m.**

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



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

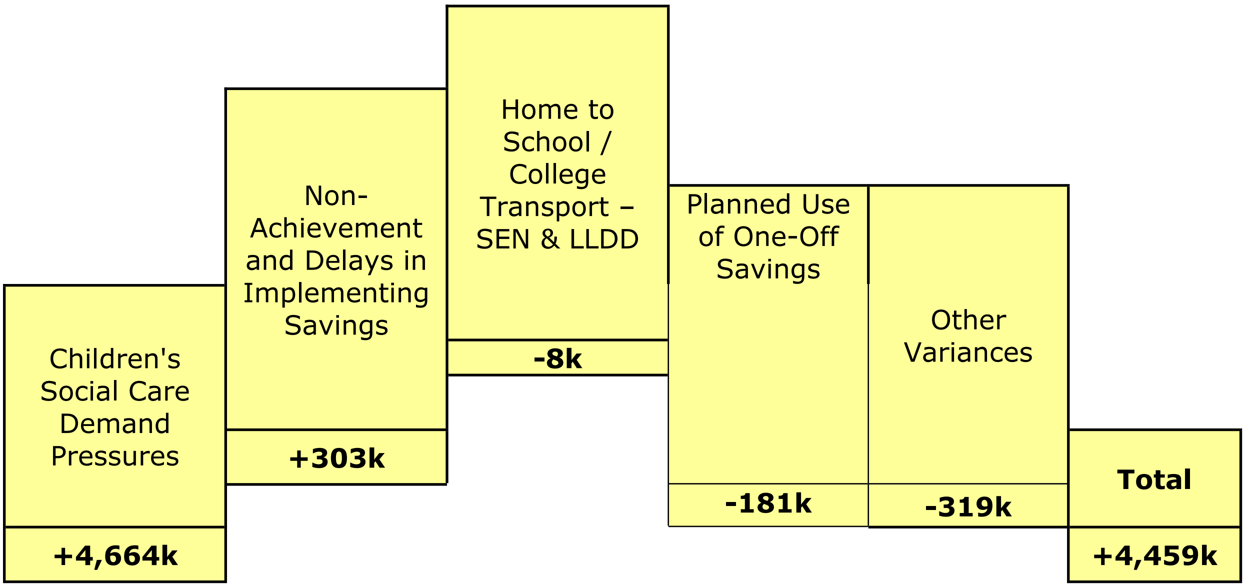
Activity	Variance £'000	Reason	Action Being Taken
Property Services Income Shortfall	**+1,355**	Underachievement in income against budget owing to property sales (£283,000). Void properties for letting and rent reductions (£247,000).	Restructuring of budgets as part of the creation of the Growth directorate. All vacant properties to be intensely marketed for letting by private sector specialist agents on an incentivised basis. Private sector specialists in the process of being procured to undertake all rent reviews and lease renewals to maximise income. Independent management of Radcliffe Market to reduce running costs.
		Town Centre ground rent income underachieving against budget (£419,000).	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.
		Shortfall in income against budget from investment properties (£276,000). Shortfall in Markets income (£130,000).	Discussions are taking place over whether the Council wishes to refresh its approach to its Investment Strategy in the light of the need to invest in Growth projects and recent market trends. The ability of the investment portfolio leases to be re-geared, to produce increased rent, is being investigated with Bilfinger GVA, the Council's property investment agents. 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	**+350**	Shortfall in Architects income (£350,000) 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 Implementa-tion and Non Achievement of Savings Targets	**+1,148**	Delayed: Within Property and Asset Management (£150,000), Admin Buildings (£400,000), Urban Renewal (100,000) and Architects (£200,000). Non-Achievable: Property & Asset Management (£148,000) and Architects (£150,000). *Note: Architects savings target of £350,000 is dependent upon achievement of equivalent income (see above).*	Revised means of achieving the targets being considered. Awaiting outcome of reviews of services.
Underspends on Staffing and Running Costs plus Use of Reserves	**-869**	Use of reserves (£582,000) plus reduced AGMA costs in Economic Development (£19,000), additional planning application fee income (£115,000), reduced CRC allowances in Energy Conservation (£91,000), additional CCG rental income for Admin Buildings (£76,000) plus savings on salaries and other running costs (£14,000).	To be used to assist in reducing the estimated overspend within the directorate in 2018/19.

4.4 CHILDREN'S AND YOUNG PEOPLE

4.4.1 The overall Children's, Young People & Culture budget is currently projecting an overspend of **£4.459m.**

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: +£4,664k			
Short Breaks Service	+117	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	+2,220	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	+517	On-going Demand pressures	Forecast housing expenditure based on the number of care leavers supported through the budget.
Independent Fostering Agencies	+833	On-going Demand pressures	Forecast is based on the number of children in Independent Fostering Agency placements.
Fostering Team	+181	Ongoing Demand pressures	Forecast overspend due to current level of demand.
Adoption Service	+214	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	+582	One-off	Childcare & Extended Services (+£38k) Delays in decision of allocating savings target, offset by delays in implementing new structure. Safeguarding Unit (+£37k) Additional costs due to maternity covered by Agency with no budget for cover. Safeguarding (+£194k) – Staff issues will mean that this service will still overspend due to agency staff covering posts. Safeguarding Team Building Costs (+£48k) Delays in vacating Higher Lane. Emergency Duty Team (+£91k) – Service is struggling to recruit staff and is now reliant on agency staff to cover the statutory hours required. External Legal Fees (+£83k) – Increased number of court cases that will attract additional court and barristers' fees. Outside CYPC control. Child Sexual Exploitation (+£48k) – Additional staffing requirements. Initial Response Team (+£43k) – 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**
Non-achievement and delays in Implementing Savings: +£303k			
Statutory Regulatory	+93	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.

Unoccupied Buildings	+50	Ongoing	Delays in disposing of unoccupied buildings resulting in in-year costs for premises security, alarm lines, insurance and maintenance. Needs corporate approach to managing empty buildings, disposals, interim costs and use of capital receipts
Residual Pensions	+69	Probable One-off	The 2019/20 cut brought forward into 2018/19 not achieved due to variance in expected numbers. Savings target not changed for 2019/20 full recovery.
Libraries	+91	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.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Home to School / College Transport - SEND	**-8**	One-off	The Dedicated Schools Grant (DSG) is picking up the costs of transport for SEND pupils for 0-25.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Use of one-off grant & Salary Savings	**-181**	One-off	Salary savings & use of one-off grant Connexions, Youth Service and Traded Services.
Activity	**Variance £'000**	**Reason**	**Action Being Taken**
Other: -£319,000			
Children's Domestic Violence	-58	One-off	A new team that is not yet fully staffed.
Reach Out ASU	-97	One-off	Vacant post and other savings identified due to changes in the planned delivery of the service.
Support at Home	-24	Ongoing	Savings achieved through Support work being done by the Reach Out Project.
CS Human Resources	-130	One-off	Salary savings due to delays in the new structure being put in place.
Performance, Planning & Commissioning	-10	One-off	Salary savings.

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 75 additional placements for children with special educational needs that have been, or are still, 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. Thankfully the actions taken by Local Authority colleagues which have focussed attention on this area following the implementation of strategic SEND review and Ofsted recommendations have seen many of these cases countered via multi-disciplinary team interventions involving intervening with schools at the earliest opportunity to ensure they are Inclusive, with relevant and targeted support measures being provided where applicable. 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 £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 – £4,459k **Dedicated Schools Grant overspending - £11,127k previous years; £400k 2018/19**			
General Fund	**+4,459**		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.

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 measures are now in place that will address demand pressures and 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.
- Block Transfer of £1 million from the Schools Block to the High Needs block – this has been agreed with the schools forum.

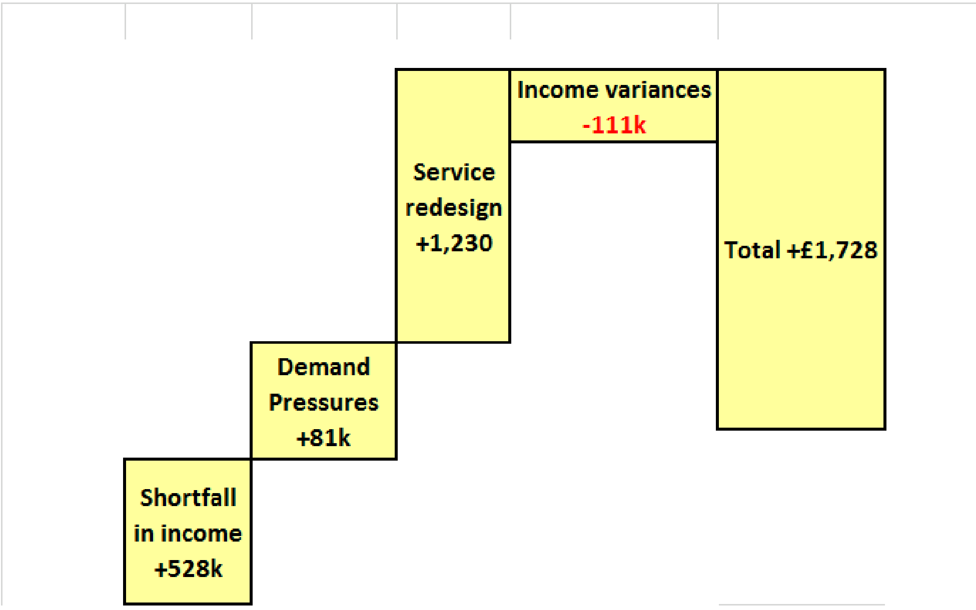
The impact of these measures will be closely monitored monthly, and reported in subsequent budget monitoring reports.

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 – Reduced Out-Borough Placements	-0.4	-1.0	-1.4	-1.4	-4.2
SEN Support & Inclusion – Annual Efficiencies / Savings	0.0	-0.2	-0.2	-0.2	-0.6
DSG Schools Block Transfer	0.0	-0.9	0.0	0.0	-0.9
Additional High Needs Funding	0.45	-0.45	-0.0	-0.0	-0.9
TOTAL RECOVERY	**-3.10**	**-4.80**	**-3.85**	**-3.85**	**-15.6**

4.5 OPERATIONS

4.5.1 The Department of Operations is forecasting an overall overspend of **£1.728m.**

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 below;

Activity	Variance £'000	Reason	Action Being Taken
Shortfall in Income	+440	Engineering: Estimated shortfalls in income relating to Off street parking (£262,000), Greater Manchester Road Activities Permit Scheme (GMRAPS) (£28,000), bus lane enforcement (£70,000), decriminalised parking fines (£113,000), coring (£26,000). These are offset by estimated surpluses in Council parking permits (£35,000), on-street parking receipts (£24,000).	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.
	+88	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	**+528k**		
Demand Pressure	+81	Street Cleaning – Overspend on staffing budgets due to long term sickness.	Reduce spending on non-essential expenditure where possible.
Sub Total	**+81**		
Service Redesign	+1,230	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. Continue to develop new models of working.
Sub Total	**+1,230**		
Vacancies and Other Staff savings	-38 -73	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	**-111**		
Total Operations	**+1,728**		

4.6 ART GALLERY & MUSEUM

4.6.1 There is a forecast net overspend of £81,000 due to the Museum Development income budget of £95,000 from prior years continuing to be unachievable. This been offset by a projected underspend on Arts Development of £14,000 due to no travel expected during this financial year and the cost of utilities, pictures/exhibition and promotion spending less than previously projected.

4.7 NON-SERVICE SPECIFIC

4.7.1 There is a forecast net underspend of **£7.673m.** This relates primarily to the Council's Treasury Management activity (see Section 9.0, page 32 for further details) of an increase in investment income (£2.8m), additional dividend receipts from Manchester Airport of £835,000, a reduced need in provisions of £2.2m plus a projected overspend of £537,000 on the Coroner's Court budget.

5.0 CLINICAL COMMISSIONING GROUP (CCG)

5.1. At Month 9, the CCG is reporting a year to date position and forecast outturn in line with plan. However, the CCG is reporting a net risk position of £1.5m.

Table 1: Summary Financial Performance for the Period Ending 31st December 2018

Financial Performance	£000's					
Area	**YTD Budget**	**YTD Actual**	**YTD Variance**	**Annual Budget**	**FOT**	**FOT Variance**
Allocations	**(222,968)**	**(222,968)**	**0**	**(299,789)**	**(299,789)**	**0**
Acute Services	113,206	115,566	2,360	150,920	153,748	2,828
Community Health Services	18,806	19,088	281	25,184	25,432	248
Continuing Care Services	10,159	9,769	(390)	13,553	13,602	49
Mental Health Services	21,323	21,914	591	28,281	29,955	1,674
Other Programme Services	6,912	6,902	(10)	8,686	8,849	163
Primary Care Services	27,615	27,803	188	36,243	37,265	1,023
Primary Care Co-commissioning	19,340	18,668	(671)	26,473	26,469	(4)
Programme Costs	**217,361**	**219,710**	**2,349**	**289,340**	**295,320**	**5,981**
Running Cost	3,258	3,258	0	4,349	4,349	0
Total Costs	**220,619**	**222,968**	**2,349**	**293,689**	**299,669**	**5,981**
Reserves	2,349	0	(2,349)	6,100	120	(5,981)
(Surplus)/Deficit	**0**	**(0)**	**0**	**0**	**0**	**0**

Financial Performance 2018-19

5.2. 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.

5.3. Financial Pressures:

5.3.1 At month 9, key areas that are showing significant forecast outturn pressures are acute services, mental health services and primary care.

5.3.2 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 £5.7m 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.

5.3.3 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.

5.3.4 Primary care pressures have arisen from increased prescribing, an element linked to flu vaccine uptake and an element due to the decreased availability of reduced priced stock. There is also an overspend associated with the costs of GP IT projects.

5.4. QIPP Delivery:

Table 2 below summarises the forecast QIPP delivery against target at month 9. The recurrent impact of schemes is also noted in the table. The total risk to the delivery of the £8.5m target is £1.0m, which largely relates to the unidentified gap.

Table 2: Summary of forecast QIPP delivery as at month 9

	£000's			
Area	**QIPP Target**	**YTD**	**Total**	**Recurrent**
Acute	2,150	197	623	2,100
Community	170	92	132	158
Intermediate Care	1,500	1,253	1,670	0
Mental Health	170	77	102	27
Prescribing	500	350	350	500
Primary Care	810	450	608	558
Running cost	300	150	200	200
Unidentified	2,890	0	0	0
Non-recurrent Mitigations - (Known)	0	3,716	3,716	0
Non-recurrent Mitigations - (Anticipated)	0	0	1,090	0
Total	**8,490**	**6,284**	**8,490**	**3,543**

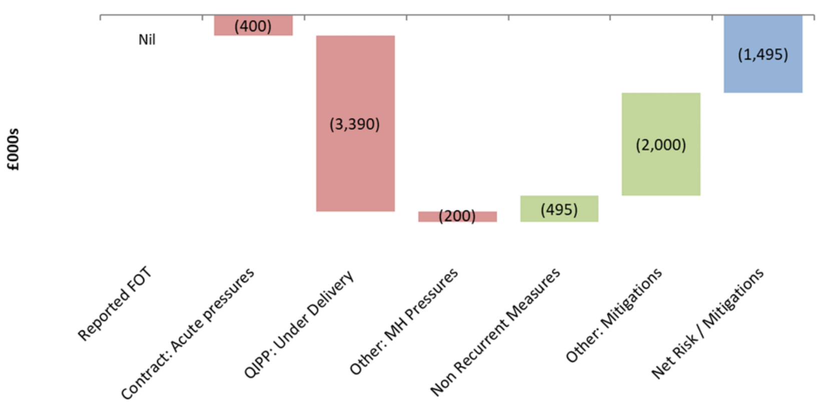
QIPP Tracker 2018/19

A thorough review of anticipated scheme financial delivery has taken place at month 9. The above table also reflects the delivery of non-recurrent mitigations brought into the YTD financial position. This largely relates to the release of contingency balances. 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.

5.5. Risk adjusted forecast outturn:

The risk adjusted forecast outturn has reduced from a £2m deficit at month 6 to a £1.5m deficit at month 9, 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 9



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 December 2018 is shown in the table below:

2018/19	£m
Original Capital Programme	25.368
Slippage from 2017/18	28.398
In year adjustments	2.074
In-Year Review of Programme	(15.204)
Revised Capital Allocation at Qtr 3	**40.636**
Estimated slippage into 2019/20	0
Revised working budget for Year at Qtr3	**40.636**

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 9, 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 at Month 6 to be shown as re-profiled into 2019/20. This figure is now updated with the latest information on the progress of the schemes and will be shown as part of the funded element for the new 2019/20 programme, at £15.204m.

6.1.7 The majority of re-profiled funding relates to Children's Services Projects where the schemes are funded mainly by grants from Department of Education, to a total of £8.342m. The remainder is attributable to Housing Development Schemes to a total of £2.308m and £3.042m for Highways maintenance and flood repair and defence projects.

6.1.8 The programme will continue to be reviewed for the last three months of the year to ensure the estimated final expenditure is reflected in the revised budgets for the year.

6.2 Expenditure

6.2.1 The Forecast Outturn as at Month 9 is projected to be £40.636m 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 9 totals £23.165m.

6.2.3 The main areas of expenditure to the third quarter are:

• Housing Development schemes	£4.383m
• Children's, Young People and Culture	£4.837m
• Property Development	£0.920m
• Highways Schemes	£5.537m
• Housing Public Sector	£5.890m

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 9 it shows a projected underspend for the Programme of £0.765m.

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 approved in 2017 new allocations as part of a three year programme towards Highways Improvement works and in 2018 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 9 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 3 of the year.

2018/19 Use of Council Resources for Capital Investment	**£m**
Revised Capital Programme allocation for the year	40.636
Use of external funding and contributions	23.699
Balance of programme relying on Council resources	**16.937**
Use of Capital receipts and earmarked reserves	4.662
Use of Prudential Borrowing (2018/19 approved schemes)	2.260
Use of Prudential Borrowing (2017/18 schemes brought forward)	10.015
Total Council Resources used to support the Capital Budget for Year	**16.937**

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 £0.792m. See Appendix B.

7.3 There are a number of variations that contribute to the projected outturn position but there are three 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.
- Rents, rates, taxes & other charges – the projected underspend has resulted from refunds of overpaid Council Tax on empty properties; these refunds cover a number of financial years and will be a one-off credit to the HRA.
- 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; 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 December was on average 1.19% which is slightly better 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 an increase in rental income of £3k over the original budget; the projections of rental income in Appendix B have been calculated on this basis. Performance has continued to improve (running at an average of 0.8% over the period October to December) therefore the increase in rental income could be even higher; this will be taken into account when setting the target level for the next financial year.

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

Arrears:
The rent arrears at the end of December totalled £1.622m, an increase of 12.6% since the end of March. Of the total arrears £0.648m relates to former tenants and £0.974m relates to current tenants. An estimated £0.359m 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 December, projected for the full year, this provision would require an additional contribution of £0.338m 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 £0.135m. 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 but was revised back down to 60 at the end of quarter 2. There have been 40 sales in the period April to December. This is 6 less than at this point last year. However the number of applications currently proceeding is higher than at this point last year (87 compared to 74). The forecast has been kept at 60 although it may be that this level is exceeded; 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% for a period of at least 5 years.

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 31 December, 2018. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first nine months of 2018/19.

9.0 TREASURY MANAGEMENT

9.1 Investments:

9.1.1 At the 31st December 2018 the Council's investments totalled £10.3 million and comprised:-

Type of Investment	£ Million
Call Investments (Cash equivalents)	6.4
Fixed Investments (Short term investments)	3.9
Total	**10.3**

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 three quarters of 2018/19.

9.1.3 The Council has earned the following return on investments:

Quarter 1 0.50%
Quarter 2 0.61%
Quarter 3 1.03%

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 0.75%

9.2 Borrowing:

9.2.1 External borrowing of £5.6 million was undertaken in the year to 31st December 2018. A PWLB loan for 40 years was taken to cover the first part of the loan to Manchester Airport made in July 2018. An additional PWLB for the second part of the loan to the airport will be taken in February 2019.

At 31st December 2018 the Council's debts totalled £190.145 million and comprised:-

		31 December 2018		
		Principal		Avg.
		£000	£000	Rate
Fixed rate funding				
	PWLB Bury	131,453		
	PWLB Airport	6,189		
	Market Bury	44,000	181,642	
Variable rate funding				
	PWLB Bury	0		
	Market Bury	0	0	
Temporary Loans / Bonds		8,503	8,503	
Total Debt			**190,145**	**3.96%**

9.2.2 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.

9.2.3 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	-4.250
Less : Forecast overspend at Month 9	-2.608
Add: Contribution to General Fund balances per 2018/19 Budget report	+2.811
Forecast Available Balances at 31 March 2019	**3.502**

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 continue to be presented to the Joint Executive Committee and 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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