

REPORT FOR DECISION

MEETING: OVERVIEW & SCRUTINY COMMITTEE
CABINET
COUNCIL

DATE: 13 FEBRUARY 2019
20 FEBRUARY 2019
20 FEBRUARY 2019

SUBJECT: REVENUE BUDGET 2019/20

REPORT FROM: CABINET MEMBER FOR FINANCE & HOUSING

CONTACT OFFICER: S Kenyon – Interim Executive Director of
Resources & Regulation

TYPE OF DECISION: COUNCIL

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain

SUMMARY: The report provides Members with details of the 2019/20 revenue budget and outlines;

- the Local Government Finance Settlement for 2019/20
- Forecast outturn for 2018/19
- The budget strategy for 2019/20 and the approach to balancing the budget in future years

It also examines the robustness of the assumptions behind the budget forecast and it contains an assessment of the adequacy of the Council's balances.

OPTIONS & RECOMMENDED OPTION The Overview & Scrutiny Committee is asked to note the report.

The Cabinet is recommended to note the report and request that the Council consider and determine all matters relating to the Budget, and the level of the Council Tax for 2019/2020, at its meeting on 20th February 2019.

Council is recommended to:

1. Note the details of the Final Settlement Funding Allocation (SFA) for 2019/20.
2. Note that under delegated powers the Interim Executive Director of Resources & Regulation has calculated the amount of 53,600 as the Council Tax base for the year 2019/20 in accordance with the Local Government Act 2003 and with regulations made under section 33(5) of the Local Government Finance Act 1992 and the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012;
3. Note the forecast outturn position for 2018/19;
4. Approve that the minimum level of balances for 2019/20 be set at £4.250m in view of the Council's risk profile;
5. Adopt the part proceedings and recommendations of the Cabinet on 20 February 2019 which contain details of the following:

Corporate Revenue Budget 2019/20

Children and Young People Budget 2019/20

Communities & Wellbeing Budget 2019/20

Resources & Regulation Budget 2019/20

Business, Growth & Infrastructure Budget 2019/20

Operations Budget 2019/20

Capital Strategy 2019/20 to 2023/24

Capital Programme 2019/20 to 2021/22

Dedicated Schools Grant Budget 2019/20

6. Endorse the statements by the Interim Executive Director of Resources & Regulation on the robustness of budget assumptions and on the minimum level of balances;
7. Determine the level of the Council Tax for 2019/20.

IMPLICATIONS:

Corporate Aims/Policy Framework:

Do the proposals accord with Policy Framework? Yes.

Statement by Section 151 Officer:

The financial implications of the budget and the risks associated with the calculations and strategy are set out in the report.

Statement by Interim Executive Director of Resources & Regulation:

The financial implications of the budget and the risks associated with the calculations and strategy are set out in the report.

Staffing, ICT and property are addressed in Directorate budget reports accompanying this report.

Health & Safety Implications:

The report does not present any Health & Safety issues. Health & Safety matters will continue to be managed in the same way within the services concerned.

Equality/Diversity implications:

In taking financial decisions, the Council must have "due regard" to its duties under the Equality Act. An Initial Assessment of the financial policies of the Authority has been undertaken to determine whether there is any differential impact upon particular groups and whether the impact is adverse. Members are asked to note that no potentially adverse differential impact on particular groups has been identified at this stage. It is intended that if any proposals are identified as carrying any significant risks, further consultation and assessment will be undertaken if necessary.

Considered by Monitoring Officer:

The budget is prepared in accordance with statutory provisions and detailed guidance. It is timetabled to ensure that statutory requirements are met.

Are there any legal implications?

The Council has a legal obligation to pass its budget and Council Tax resolutions by March 2019. The Cabinet have full authority to implement the budget within the budget framework set by Council and they have wide discretion in doing so. Whilst the overall budget sets individual budgets and plans for service areas, these are formative only at this stage. Full and final decisions will be made by the Cabinet (or officers under delegated powers) during the forthcoming year, at which point full and separate consideration to the Council's duties, including but not limited to, equalities and public consultation, will be considered and finalised. In setting the proposed budget, due regard has to be given to relevant considerations including equality, human rights, proportionality,

reasonableness, the need to deliver statutory obligations, legitimate expectation and the Council's priorities.

Members' attention is drawn to the legal advice set out in Appendix 1.

Wards Affected:

All

Scrutiny Interest:

Overview & Scrutiny Committee

TRACKING/PROCESS

INTERIM EXECUTIVE DIRECTOR: Steve Kenyon

Chief Executive/ Senior Leadership Team	Cabinet Member/Chair	Ward Members	Partners
28/1/2019	28/1/19		
Scrutiny Committee	Cabinet	Committee	Council
13/1/19	20/1/19	JCC 14/2/19	20/1/2019

1.0 INTRODUCTION

1.1 This report is the main budget report for the Council for 2019/20, and is supported by the following documents;

- Departmental Budget Reports
- Capital Strategy 2019/20 – 2023/24
- Capital Programme 2019/20 – 2021/22
- Dedicated Schools Grant (DSG) 2019/20

1.2 The following are separate reports as they require their own decision by the Council;

- Housing Revenue Account 2019/20
- Treasury Management Strategy 2019/20

1.3 The report begins by providing Members with details of the Local Government Finance Settlement for 2019/20 and the impact on Bury. It then goes on to provide details of the forecast revenue outturn position for 2018/19 and the draft Revenue Budget for 2019/20. Finally it summarises the options identified for meeting the anticipated shortfall on the draft budget.

1.4 Local Government finance is a complex subject and to assist Members a glossary of the main terms and acronyms is attached at Appendix 2.

1.5 A draft settlement was announced on 13th December 2018, outlining indicative allocations for 2019/20. Final Settlement figures were confirmed on 29th January 2019.

1.6 Setting the budget for 2019/20 will be a difficult exercise and so to assist Members the Assistant Director (Legal and Democratic Services) has prepared a note (attached at Appendix 1) setting out in detail Members' individual responsibilities to set a legal budget and how Members should approach the task. It also reminds Members about the rules concerning personal and prejudicial interests and goes on to specify the responsibilities of the Interim Executive Director of Resources & Regulation who fulfils the role of the Council's section 151 Officer. The paper concludes with specific legal advice regarding the budget. **Members are strongly advised to give their best attention to this advice.**

1.7 Members should also be aware that the budget proposals for 2017/18 to 2019/20 were approved by full Council in February 2017.

2.0 FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2019/20

Local Retention of Business Rates / Move to 100% Retention

2.1 Historically, Local Authorities collected Business Rates and paid them over to a Central Government "pool"; the Government then redistributed rates income using a formula based approach – relative to perceived need.

2.2 With effect from April 2013, a new approach was introduced whereby Central and Local Government share Business Rates income as follows;

- Government 50%
- Local Authority 49%
- Fire Authority 1%

2.3 **From April 2017, Greater Manchester Authorities have piloted a 100% retention scheme.**

2.4 This new approach presents a number of opportunities to the Council;

- Alongside the obvious social / economic benefits, there is now a “budgetary” incentive for the Council to stimulate business growth in the Borough
- The Council is taking this opportunity forward positively under its Growth Strategy, and the wider Greater Manchester Growth Plan

2.5 Equally however, the approach presents risks;

- Losses on Appeals – now have to be funded 100% by the Council
- Reliefs – The Council is also now liable for 100% of the cost of charitable / empty reliefs.
- Impact on Business Cases – the consequences of reduced Business Rates yield now have to be factored in to any Business Cases the Council is developing around its own asset base – e.g. rationalisation of office accommodation
- Economic Conditions – make the new approach more of a challenge as any business failures lead to a potential loss of income to the Council

Pooling

2.6 When a Local Authority’s share of Business Rates grows above an upper threshold, a “levy” is applied effectively capping the growth available to Local Authorities.

2.7 Equally, a “safety net” applies where income falls below a lower threshold.

2.8 There is an opportunity for Local Authorities to “pool” business rates income and retain Business Rates Growth at a local level. Alongside this however, is the risk that losses are covered locally.

2.9 The Greater Manchester Authorities have created a pool arrangement along with colleagues from Cheshire East, and Chester & Cheshire West Councils.

2.10 The operation of the pool and 100% pilot has generated surpluses and the GMCA proposes the return of **£847k** to the Council (formal decision expected 15th February 2019). If agreed, it is proposed that **£540k** of this be used to support the work of the Growth Directorate in 2018/19, with the remaining **£307k** supporting the 2019/20 budget.

Localised Council Tax Benefit Scheme

2.11 Historically the Council paid out around £14m in Council Tax benefits and this was funded by central government grant. With effect from 2013/14, the Council

Tax Benefit scheme was “localised” allowing Councils to devise their own schemes relevant to local circumstances. Alongside this however, there was an average 10% reduction in grant funding.

2.12 The local scheme is reviewed annually; the 2019/20 scheme was approved at Council in November 2018; largely unchanged – simply aligning timescales with other benefit arrangements.

2.13 Whilst fully costed and affordable now, Members are reminded of the volatility of claimant numbers, and the risk of any increases rests with the Council going forward.

Social Care Precept

2.14 The Council no longer has scope to apply a Social Care Precept – having applied 3% for 2017/18 and 2018/19. There is however an ongoing benefit to the Council as these amounts form part of the overall Council Tax yield going forward.

Overview of Settlement

2.15 Bury’s 2019/20 headline “Settlement Funding Allocation” (SFA) is as follows;

	SFA (Dec 2018)	Change
	£m	%
2018/19	57.049	
2019/20	52.972	-7.1%

2.16 More significantly, the reductions for Bury are on top of what is already a very low funding base. The amount of Government support (SFA) per head of population is significantly lower than that of all classes of Authority. The table below highlights funding per head for Greater Manchester authorities, and additional resources that would be available if comparable funding levels were applied;

	SFA 2019/20 Per Head	SFA 2019/20 Extra
	£	£m
Bury	£279.35	
Greater Manchester Average	£376.91	£18.5m

- 2.17 Nationwide comparisons of SFA are no longer valid given the operation of various Business Rates Retention pilot schemes.

Fair Funding Review

- 2.18 The Government is currently reviewing the approach taken to assessing the needs of Local Authorities and distribution of resources – “Fair Funding Review”; for implementation 2020/21.
- 2.19 The Council has engaged proactively with the consultation process, and will continue to do so in responding to the latest consultation exercise.
- 2.20 It is too early to assess whether this review will provide any additional resources for Bury.
- 2.21 Members will be updated as soon as further information becomes available.

Rolled in Grants

- 2.22 Values for grants previously rolled into the SFA have been revised in the settlement. The draft budget has been structured in line with the assumptions of the settlement i.e. any increases are passed onto services;

Grant	2018/19 £'000	2019/20 £'000	Change £'000
Homelessness Prevention Grant	458	457	-1
Learning Disability / Health Reform	4,697	4,784	+87
Care Act Implementation	1,305	1,803	+498
Lead Local Flood Authorities	155	158	+3
Sustainable Drainage Systems	9	9	0
	6,624	7,211	+587

- 2.23 Other grants have reduced in the Settlement e.g. Early Intervention Grant (from £3.893m to £3.559m), and the budget is structured on the basis that the indicative 2019/20 levels will apply – ie no protection for services at historic levels.
- 2.24 The Public Health Grant is also seeing a **£307k** reduction from 2018/19 levels (from £11.632m to £11.325m). This is no longer a ring-fenced grant, however it is proposed that the level of funding be preserved at the 2018/19 level, given the importance of Public Health initiatives to the implementation of the Bury Locality Plan.

Other Specific Grants

- 2.25 In addition to the overall Settlement, a number of specific grants are made available. These grants form part of the Council’s mainstream budget, and have seen reductions in the 2019/20 Settlement; these grants have been protected in drafting the 2019/20 budget;

Grant	2018/19 £'000	2019/20 £'000	Change £'000
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Housing Benefit Admin Subsidy Grant	694	574	-120
Council Tax Support Admin Grant	238	230	-8
	819	0	-128

- 2.26 The final settlement also outlined a ringfenced Adult Social Care Grant of £816k, and a further Social Care Grant (Adults & Children) of £1.4m; these are being applied to support existing spend / pressures.

3.0 FORECAST OUTTURN 2018/19

- 3.1 The Council operates a delegated cash ceiling scheme and in order to achieve sound financial management and effective budgetary control, budgets are reviewed and revised on an on-going basis within individual services.

- 3.2 As 2019/20 represents the final year of the 3 year budget, it is not necessary to undertake a formal revision of the current budget. However it is essential that a forecast is made of the potential outturn position for the year. Not only is this a matter of good practice but of particular importance is the fact that it also allows a forecast to be made of the likely level of balances.

- 3.3 The table below shows a summary of the forecast outturn based on information available at 31 December 2018 (i.e. 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

- 3.4 The forecast shows a net overspend of **£2.608m (1.89%)** against the current budget. Behind this figure, a number of hot-spots remain within specific service areas, particularly around reduced income for some services in light of the prevailing economic conditions and demand pressures in respect of Looked After Children and Vulnerable Adults.

- 3.5 The month 9 position is higher than the 2017/18 year end position, however represents an improvement upon previous quarters as follows;

2017/18 Outturn	2018/19 Quarter 1	2018/19 Quarter 2	2018/19 Month 9
+£0.844m	+£3.176m	+£3.589m	+2.608m

- 3.6 The overall budget is supported by the continued strong performance of the Council's Treasury Management function.

- 3.7 The Joint Executive Team and Cabinet meet regularly and pay close attention to the overspend.
- 3.8 The new Chief Executive has established a Budget Recovery Group – a dedicated resource to support the preparation and delivery of the budget.
- 3.9 A Budget Review Team has also been created, with 4 x FTE deployed from elsewhere in the Council into a full time team to support the budget process.
- 3.10 In addition, regular reports are provided to the Overview & Scrutiny and Audit Committees.

4.0 DRAFT REVENUE BUDGET 2019/20

4.1 This section of the budget report will examine a number of issues pertinent to the budget preparation process:

- The budget forecast
- “Golden Rules” supporting the budget strategy
- Assumptions behind the draft budget
- The potential Council Tax position
- The draft budget for 2019/20

4.2 The report then goes on to consider options for balancing the budget, the consultation process and the robustness of the estimates behind the draft budget.

4.3 This in turn leads to an assessment of the adequacy of the Council’s minimum level of balances which is then linked to an evaluation of the financial implications of the risks that are faced by the Council in relation to it delivering on its priorities and in relation to the budget strategy and assumptions.

4.4 Medium Term Budget Forecast

4.4.1 The Council has consistently taken a medium-term view of its financial position. In doing this it recognises that assumptions and estimates become less reliable further into the future but it is felt that remains a prudent and sensible approach to take.

4.4.2 This report focuses on the 2019/20 Budget, based upon an assessment of income, expenditure, pressures, and Government Funding.

4.4.3 There is no information beyond 2020, however Members are warned that further budget cuts will be required to address continuing demand pressures and funding reductions.

4.4.4 The nature of repeated cuts requirements means that each year cuts to services will become more visible, and harder hitting as “efficiency savings” are exhausted.

4.4.5 Work is scheduled to take place during 2019/20 to prepare a new 3 year Medium Term Financial Strategy. This will flow from a new Corporate Plan which is also being prepared.

4.4.6 Similarly, a longer term view is to be taken of the Capital Programme (and revenue implications) aligned to the new Capital Strategy.

4.5 Golden Rules

4.5.1 The Council has enshrined certain values into its longer-term approach to its finances by the adoption of four 'Golden Rules'. These were incorporated into the Council's financial policies by Members in February 2007 and have been updated in light of the recommendations of the recent LGA review:

- The level of General Fund balances retained by the Council to meet unexpected changes in the budget or to fund events that cannot be foreseen will be based on an assessment of the risks faced by the Council but they will not be allowed to fall below the higher of £3m or 2.5% of the net budget (excluding schools). This formula is regularly reviewed and justified in relation to the risk strategy adopted each year.
- Use of one-off options to support the on-going revenue budget must be in the short term only and supported by a robust strategy to address underlying pressures in the Council's cost base.
- Prudential borrowing can be undertaken to support capital spend relating to regeneration / growth initiatives, and commercialisation / transformation of Council services. All proposals to be subject to robust business case assessing prudence, sustainability and affordability.
- Pressures and savings will be assessed on a 3-year, rather than a one year basis through a revised Medium Term Financial Strategy.

4.5.2 The Interim Executive Director of Resources & Regulation / section 151 officer reports on progress against the 'Golden Rules' as part of the quarterly Finance and Performance Monitoring report.

4.6 Assumptions

4.6.1 The report outlines the budget for 2019/20. No information is available beyond this point pending future government spending reviews, and also the "Fair Funding Review".

4.6.2 Pending the outcome of the above, the Council is currently revising its Corporate Plan, which will be supported by a Medium Term Financial Strategy for the period 2020/21 to 2023/24.

4.6.3 Budget cuts options were drafted in a three year window and approved by Council in February 2017. Options recognised that simple expenditure reductions are no longer available, and fundamental service redesign is required to deliver savings. This by its nature is not always achievable in a single financial year, often requiring a significant "lead in" time.

4.6.4 The draft Budget for the coming year has been prepared by rolling forward and re-pricing the current year's budget as follows:

- Adding the effects of contractually binding inflation and other allowable cost increases to the current year's budget;

- Calculating the resources that will be available in light of the Government's draft funding settlement and regulations in respect of Council Tax.
- Determining options for addressing the budget deficit, balancing income with expenditure.

4.6.5 Preparation of the budget has been extremely challenging and the risks associated with such a strategy have been reflected in the calculation of the minimum level of balances.

4.6.6 In determining the assumptions to be used to underpin the 2019/20 budget the following considerations have been taken into account;

	Note	2019/20
Pay	1	2.0%
Pensions (increase in employers' contribution rate)	2	0.0%
Prices	3	0.0%
Waste levy	4	Actual
Transport levy	5	Actual
Rise in income from fees and charges	6	0.0%
Council Tax base (no. of Band Ds)	7	53,600
Assumed Council Tax rate rise	8	2.94%
Assumed Social Care Precept	9	0%

Notes:

- 1. Pay** - the current budget forecast makes a 2% provision for pay inflation in 2018/19 – based upon current pay award offers. The budget recognises proposed amendments to the pay structure in line with the NJC national Local Government pay spine. The budget also provides for the proposed removal of 3 days mandatory unpaid leave. This measure is proposed to enhance staff morale, and establish a baseline for a trusting relationship with staff.
- 2. Pensions** – based on the latest 3-year actuarial review of the GM Pension Fund (part of the national Local Government Pension Scheme) the rate at which Bury Council as an employer is required to contribute (as a % of pensionable pay) is forecast to be 20.5% to 31 March 2020.
- 3. Prices** – Given the Council's overall funding position, no provision for general inflation has been made. Directors have been asked to absorb general inflationary pressures and have been invited to request funding towards unavoidable/contractual inflationary cost increases during the budget process. A provision has also been made to contribute to the additional costs the Council may bear as a result of the Government's Living Wage proposals in respect of bought in / commissioned services
- 4. Waste Levy** - Following termination of existing contractual arrangements, and a revised assessment of current tonnages the Council will see a £639,000 increase in its waste levy for 2019/20; to £14.209m. The budget has been structured on this basis.

Levies for future years will be determined once re-procurement of the contract is complete.

5. **GMCA / Transport Levy** – following robust budget scrutiny, it is proposed that the overall Transport Levy will be frozen for 2019/20 (adjusted for population). In addition, it is proposed that £5 million of Transport reserves is to be returned to GM districts; Bury's share being £339k (based on population). This needs to be agreed by the GMCA (15th February 2019).
6. **Income** – the target uplift has been set at 0% reflecting the pressures upon income budgets. Directors / Portfolio Holders are free to decide how much prices may increase depending on their individual circumstances, legislative increases, and the market sensitivity of prices.
7. **Council Tax Base** - acting under delegated powers, the Interim Executive Director of Resources & Regulation has calculated the amount of **53,600** Band D equivalent properties as the Council Tax base for the year 2019/20 in accordance with regulations made under section 33(5) of the Local Government Finance Act 1992. This compares to 52,850 in 2018/19.
8. **Council Tax rate** – this report is drafted on the basis of an assumed 2.94% Council Tax rise. This is a working assumption, however it should be noted the actual rate is determined by Full Council.
9. There is no application of a further Adult Social Care precept as the Council has applied rates of 3% in 2017/18; 2018/19 – up to the maximum 6% permissible over three years.

Members must be mindful of the fiduciary duty of the Council to the Council Tax payers of the borough and the need to consider the consequences to Council Tax payers of the level of expenditure set within the budget. In future years they will also be advised to consider carefully the increase in the tax rate in the light of any possible capping criteria and in the light of legislation to allow a community challenge to the proposed increase.

For 2019/20, the Government has indicated that any Council Tax increase "at or above 3%" would trigger a referendum.

4.6.7 Borrowing costs/investment income budgets will be up-rated in line with the Annual Treasury Management Strategy and with the borrowing assumptions, however Members attention is drawn to the fact that the low level of interest rates, coupled with the uncertainties in the financial markets, means that the authority's ability to generate investment returns has been weakened considerably.

4.6.8 Members' attention is also particularly drawn to towards:

- Ongoing and historical demand led pressures in excess of nominal inflation
- The opinion of the External Auditors (KPMG) that ***"the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"***
- The level of cuts made (& delivered) - £78 million since 2010

- The adverse funding formulae which result in lower funding per head for Bury residents
- The impact of economic conditions on income levels
- The endeavours of the Council to allocate resources in line with residents' wishes and Council priorities.

4.6.9 The Interim Executive Director of Resources & Regulation has assessed the robustness of these, and other, assumptions as set out in section 8.0 and Members are asked to give particular attention and endorsement to these comments.

4.6 The Draft Budget 2019/20

4.7.1 This draft budget outlined overleaf reflects the assumptions set out in section 4.6 above;

DRAFT

2019/20	£'000	£'000
Opening Budget		138,016
Add: losses on grants now rolled in to settlement		587
Add: losses on protected specific grants		128
Add: loss on Public Health Grant		307
Inflation:		
Pay		3,548
Contractual Commitments (incl. Living Wage)		4,334
Energy Costs		102
Income		0
Staffing costs:		
Increments		427
Cessation of 3 days unpaid leave		355
Levies:		
Combined Authority (incl Transport)		0
Waste Disposal		639
Corporate / Technical Items:		
Investment Income		-2,159
Reprofiling of Minimum Revenue Provision		158
Revenue Effects of Capital Programme		217
Reduced New Homes Bonus		442
Additional S31 grants in lieu of NNDR reliefs		-2,541
Return from GM Business Rates (tbc)	-847	
Support to Growth Plan (2018/19)	540	-307
Return of Transport Reserves (tbc)		-339
Charges to HRA (Corporate Core)		-400
Support for Service Pressures:		
Communities & Wellbeing	1,500	
Children & Young People	3,200	
Operations	506	
Business Growth & Infrastructure	1,281	
Resources & Regulation	0	
Non-Service Specific	547	7,034
Standstill Budget		150,548
Less:		
Settlement Funding Assessment	-52,972	
Council Tax	-83,130	
Collection Fund Surplus	-2,760	138,862
GAP		11,686
Available Savings:		
Original Savings Plan	-11,898	
<i>Less slippage;</i>		
Communities & Wellbeing	756	
Children & Young People	525	
Operations	1,330	
Business Growth & Infrastructure	1,435	
Resources & Regulation	550	
Non-Service Specific	0	-7,302
REMAINING GAP		4,384
Use of dormant Earmarked Reserves:		
ABG Topslice	454	
Airport Reserve	949	
BCCI Reserve	127	
Connexions	1,408	
Performance Reward	2,072	-5,010
Remainder to General Fund Balances		-626

*** This estimate is based upon an assumed 2.94% Council Tax increase; it should be noted that the actual level of Council Tax is determined annually by Full Council.**

4.7.4 The original cuts target for 2019/20 was £9.087m, however this was revised to £11.898m following reprofiling in the 2018/19 Budget Report. The table below sets out the revised profile, and also targets for the new Operations and Business, Growth & Infrastructure directorates.

Directorate	Original Target 2019/20 £'000	Reprofiled from 2018/19 £'000	Revised Target 2019/20 £'000
Communities & Wellbeing	4,241	1,144	5,385
Resources & Regulation	1,240	91	1,331
Children & Young People	2,181	1,143	3,324
Operations	800	0	800
Business Growth & Infrastructure	625	0	625
Non Service Specific	0	433	433
	9,087	2,811	11,898

Total cuts from 2010 are summarised below;

Year	Cut £'000
2011/12	9,575
2012/13	8,656
2013/14	9,871
2014/15	9,652
2015/16	15,807
2016/17	11,579
2017/18	13,335 } } £31.876m
2018/19	6,643 } }
2019/20	11,898 } }
	97,016

5.0 OPTIONS FOR BALANCING THE 2019/20 BUDGET

5.1 2019/20 represents the final year of the three year budget (2017/18 to 2019/20) approved by the Council in February 2017.

5.2 The three year budget faced considerable challenges in delivering cuts totaling £32 million.

- 5.3 Many of the savings plans have been delivered (£15m to date), however slippage has occurred in some areas deferring £5m cuts into the final year of the three year period (2019/20).
- 5.4 Rigorous assessment of all savings plans has taken place throughout the year to identify what is realistically deliverable, and where alternative plans are required.
- 5.5 Additional resources of £4.334m have been identified in the Communities and Wellbeing Directorate.
- 5.6 Savings totalling £4.596m are supported on a one-off basis in 2019/20, however must be delivered in 2020/21. More robust plans are in place to deliver the majority of these savings in 2020/21.

	£'000
2019/20 Savings Target	11,898
Add Backlog of undelivered savings (Yrs 1 & 2)	5,040
Less Additional Resources Identified (CWB)	(4,334)
Less Slippage to 2020/21	(4,596)
Delivery Target for Year	8,008

- 5.7 Detailed plans are in place to deliver the remaining £8 million of the original savings plan in 2019/20 – outlined at Appendix 3, and in Directorate Budget Reports showing;
- Achievement of savings to date
 - Areas where savings plans have experienced slippage / delays
 - Key service pressures
 - Mitigation / measures put in place to address the above
 - Resulting “gap” which forms the basis of this overall budget report
- 5.8 In addition to the £4.596m slippage which requires support in the 2019/20 budget, unavoidable pressures of £7.034 million have been identified – a total of £11.630m requiring support in 2019/20.
- 5.9 Additional resources have been released through a detailed assessment of corporate budget forecasts, including;

Area	Amount £'000	Sustainability
Improved Council Tax Base	400	Ongoing
Revised inflation forecasts - impact of living wage on contracts	900	Deferred to 2020/21
Improved Treasury Management / Investment activity	1,600	£800k potentially one-off.
Review of the Housing Revenue Account	400	Ongoing
GM business rates initiatives	800	Dependent upon overall

		GM performance
Collection Fund	2,700	Assessed annually
	6,800	

It should be noted that some of these measures may be one-off in nature, or simply defer costs into future years.

- 5.10 A review of earmarked reserves has been undertaken, with a view to identifying those which are dormant / no longer needed.
- 5.11 Dormant Earmarked Reserves totalling £5.010 million have been identified, to support the budget leaving headroom of £626k which it is proposed be transferred to bolster General Fund reserves.
- 5.12 Clearly any decision to utilise reserves is not taken lightly as it is clearly a one-off measure, and simply defers costs / pressures to future years.
- 5.13 It is imperative that the remaining savings targets are delivered ahead of the new MTFS, equally, the revised MTFS will seek to build reserves going forward to ensure the sustainability and resilience of the budget.
- 5.14 During 2019/20 the Council will refresh its Corporate Plan, and this will be underpinned by the new Medium Term Financial Strategy and Capital Strategy / Programme for the period 2020/21 to 2023/24 – further details outlined at 8.5.2.

7.0 CONSULTATION PROCESS

- 7.1 A full budget consultation exercise on the three year budget options ran from 8th December 2016 to 31st January 2017 as follows;
- Participation via the Council website
 - In writing
 - By email
 - Over the phone
 - At township forums meetings
 - At staff briefings
 - Via meetings with union reps and at JCC meetings
 - Discussions with special interest groups e.g. Carers Group
- 7.2 This exercise engaged with **158** stakeholders and generated **114** comments / responses.
- 7.3 Whilst cuts options for 2017/18 to 2019/20 were approved by full Council in February 2017, residents and stakeholders were given further opportunity to submit comments up to 6th February 2018 through a web based "Budget Conversation".
- 7.4 Individual proposals will be subject to their own consultation exercises, and decisions will be made by Cabinet, with the option for Overview & Scrutiny to review decisions.

8.0 RISK ASSESSMENT/ROBUSTNESS OF ESTIMATES (s25 Statement)

- 8.1 In line with the provisions of s25 of the Local Government Act 2003, the Interim Executive Director of Resources & Regulation as section 151 officer is required to make a statement about the robustness of the estimates made when setting the Council's budget.
- 8.2 In doing this, the section 151 officer must consider the risk that is inherent in the budget strategy and the extent to which these risks are mitigated or accommodated by the Council's planning and control mechanisms. This is done by examining four particular issues:
1. The degree to which the budget (and the Council's reserves) are linked to the risks facing the Council
 2. The level of risk implicit in the individual elements of the Council's budget
 3. Risks inherent in the budget strategy itself
 4. The strength of the Council's internal control framework

8.3 Corporate risks

- 8.3.1 The biggest risk currently facing the Council (and the Borough) is recession and uncertainty around leaving the EU / International trade barriers. The Council has a robust risk management process that determines, assesses, manages, monitors and reviews risks that are both cross-cutting (corporate) and departmental in nature. For the purposes of corporate budget setting and management it is felt appropriate to utilise the corporate risks, given that there are explicit links between departmental and corporate risks. Departmental risk assessments are used in the management of individual Department's budgets.
- 8.3.2 A Member-level Corporate Risk Management Group meets quarterly to monitor the corporate risks and to assess the effectiveness of the mitigation action that has been identified. Provision has been made in the draft Budget to address these risks, or allowance has been made within balances to cover possible events that are out with of the Council's control.

8.4 Risk implicit in specific areas of the budget

- 8.4.1 As far as income to the Council is concerned there are a number of key sources including Settlement Funding Assessment (Revenue Support Grant and locally retained business rates), Specific Grants, Council tax and fees and charges. In respect of Settlement Funding Assessment, the income stream is now known for the coming years; subject to a number of caveats.
- 8.4.2 As far as expenditure is concerned, the areas of greatest risk in the budget are those that are subject to demand fluctuations, and the increasing challenge of implementing "year on year" cuts.
- 8.4.3 The approach to managing the issues faced by the Children's Services and Adult Care Services budget has been strengthened in recent years focussing on the current budgetary position / strategy, and also invest to save developments (Killelea House, and the creation of a second Extra Care Scheme – Peachment Place) that are aimed at reducing costs, managing risks and restructuring care packages.

- 8.4.4 The Council is implementing the Local Care Organisation from April, and an Investment Agreement will outline the impact for residents in terms of care and acute service. The locality has secured £19 million transformation funding to develop this activity.
- 8.4.5 However it is clear that pressures in these areas are unlikely to diminish due to increasing demands arising from an ageing population, from increasing client expectations and from transitional cases from Children's Services. In recognition of the problems associated with managing such budgets provision has been made within the minimum balances calculation that is shown in the next section of the report.
- 8.4.6 Turning to income budgets, ring-fenced and other grants are properly allocated and accounted for in accordance with the relevant Government department rules and subject to rigorous external audit checking.
- 8.4.7 Council Tax collection is within the control of the Council, however subject to external / economic risks as outlined at 8.3.1. The budgeted level of "in year" collection in 2019/20 is 97.05%, based on past, current and projected performance. Collection rates will continue to be rigorously monitored, with particular emphasis on these areas and the Council Tax Support scheme. A dedicated team has also been created (at a cost of £120k) to target aged debt, and to date this team has recovered over £700k.
- 8.4.8 Fees and charges (excluding Council House rents) are budgeted to raise over £50m of income in 2019/20 from almost a thousand sources. Of all the funding sources this is the area where there is greatest risk of under achievement. To assess the risk it is necessary to understand how relevant income budgets are constructed, fee levels determined, how the charges are made, income collected and recovery procedures applied.
- 8.4.9 These risks have been recognised, and the 2019/20 budget assumes no increase in income targets, however individual charges may be increased where appropriate.
- 8.4.10 This means that individual service managers, who understand their part of the business best, are able to advise Members in respect of charging regimes and, once the fees and charges are agreed, are accountable for their efficient collection. Any under achievement of an income budget has to be managed by the service in question through the operation of the cash ceiling scheme. This may mean reducing spending in related areas or even in other unrelated areas.
- 8.4.11 It is clear from monitoring that has taken place during 2018/19 that the difficult economic climate continues to have a downward effect on various charging streams such as property services income, car park fees etc. There is provision within the minimum level of balances calculation to reflect this risk.
- 8.4.12 In terms of general expenditure budgets the single largest area of expenditure is on staff pay. The 2019/20 budgets have been structured in line with the pay award.
- 8.4.13 An allowance has been built into the budget to contribute to the on-going cost of the national minimum wage in terms of both the Council's pay bill, and the

impact on bought in / commissioned services.

8.4.14 Staff account for a majority the Council's expenditure budget and the next significant areas of budget, in descending order of significance are:

- Commissioning / contract payments
- Supplies, services, and transport
- Housing and Council Tax benefits
- Debt charges
- Levies (Transport/Waste/Environment Agency)

8.4.15 Supplies and services etc. account for around 33% of the gross budget and the majority of this is subject to contractual provision. These contracts provide for food, oil, building and highway materials, IT equipment, stationery and external residential and supported accommodation for children, the elderly and people with learning and physical disabilities. The draft budget assumes a cash freeze on the individual budgets for such items although provision has been made for unavoidable inflationary costs (e.g. contractual commitments).

8.4.16 The Council exercises sound Treasury Management practices in line with professional guidelines. Interest rate predictions are up-dated regularly and action taken to mitigate any negative effects, wherever possible. The present downward trend in interest rates was anticipated and both investments and borrowing have been locked-in long-term (as far as prudence allows) at optimal market rates, so minimising risk. Members should note the increasing difficulty in securing a satisfactory interest yield as the number of institutions the Council can safely invest with is reducing.

8.4.17 For levies the budget has been set at the level recommended by the external bodies concerned.

8.5 Risks inherent in the budget strategy

8.5.1 There are specific risks inherent in the budget strategy relating to the radical overhaul of the system of Local Government Finance as follows;

- Many changes converged simultaneously, and within a very compressed timescale. Interpreting the impact and inter-action of these changes has been a significant challenge.
- The risk of raising and collecting business rates is now borne (100%) by the Council, and the local business rates yield now has a direct budgetary consequence. A prudent approach to the estimated yield has been adopted. The move to 100% Business Rates retention also presents opportunities to the Council if it is able to grow its Business Rates base.
- Similarly, the Council must now stand 100% of the cost of business rate appeals; this applies to appeals already lodged, and any that may be lodged in the future. Clearly the outcome of appeals is unknown, and cannot be estimated. The liability also has the potential to be backdated. A provision of 5% of business rates yield has been made within the budget to contribute to the cost of appeals.
- The localisation of Council Tax Support brings significant risks in the event that claimant numbers rise beyond the levels expected. A prudent

approach has been taken in revising the Local Council Tax Support scheme – approved by Council in November 2018.

8.5.2 For these reasons 2019/20 will be a year transition during which we will both deliver the 2019/20 budget and put in place the corporate infrastructure to produce a rolling three-year medium-term budget plan for 2020 - 2023.

The new corporate infrastructure will include :-

- a refresh of the strategy for the Borough and a Bury Local Industrial Strategy as a single delivery plan for that strategy.
- a Corporate Transformation Plan and new model of public services with a rigorous focus on better outcomes for people and the financial imperatives of reducing demand for reactive services.
- Capital investment in a new ICT Strategy to support the Corporate Transformation Plan and new model of public services.
- a new Corporate Plan and new rolling three year budget plan for 2020 - 23.
- the new rolling three year financial plan will be joined to a new single commissioning strategy across Health and local government via the One Commissioning Organisation.
- a new budget and business planning process with budget and business plans for each Directorate and management action plans for each service within each directorate.
- strengths based performance appraisals for staff linked to the management action plans.
- a new OD and workforce development strategy to increase flexibility and to secure and retain key skills.

The capability to take this more strategic approach will come from the creation of the new corporate core and the One Commissioning Organisation. It should be noted that some of the savings that have slipped within the current three-year budget are associated with unspecified changes in back office support services. The corporate core / OCO will therefore need to be more effective as well as more affective.

Other more general risks include;

- Savings targets may not be achieved. This risk is mitigated by rigorous financial control / budget monitoring involving Portfolio Holders and Directors ensuring they have a clear understanding and ownership of the budget and pressures in their area.
- Budgets may overspend during the year as a result of unforeseen pressures, or demand outstripping the levels originally anticipated. The budgetary control framework will give early warning of this, allowing remedial action to be taken where possible. A greater understanding of directorate budgets and stronger delivery plans will also mitigate this risk.

- Assumptions may prove to be inaccurate due to external influences, e.g. national economic conditions

8.5.3 Given the Council's record of performance and the strength of the budget monitoring process these risks are felt to be controlled for 2019/20. However it is important that this level of risk is mitigated and provision has therefore been made within balances to cover these items.

8.6 System of Internal Control

8.6.1 The Council has adopted a Governance Statement that concluded that there are no weaknesses in the authority's overall control framework and the Council's External Auditors (KPMG) have commented favourably on the framework. The Governance Statement and the control framework have been regularly reviewed, most recently by the Audit Committee on 20th November 2018, and no major issues have been identified.

8.6.2 Mazars LLP have been appointed as auditors for the 2018/19 financial year.

8.7 Conclusion

8.7.1 In light of the above the Interim Executive Director of Resources & Regulation has made the following comment on the robustness of the estimates:

8.7.2 There can be no guarantee that expenditure will be contained within each and every budget. The nature of the Council's business means that varying demands will be faced during the year and under and over achievement will occur.

8.7.3 However, the aim should be that the budget in total is sustainable taking into account resources available, assumptions made, delivery of cuts options and the availability of reserves to mitigate "in year" pressures.

8.7.4 Estimates have been based on the best and latest information available and provision has been made within the minimum balances to meet unforeseen eventualities (see section 9 of this report). However the pace and scale of the current and future cuts in public spending is a major concern and this should be recognised in the approach adopted to the budget.

8.7.5 Close monitoring of the budget, together with responsive management action, will be necessary to ensure that income and expenditure remain within budget. However significant improvements have been seen in monitoring processes, particularly around the continued development of the Agresso system.

8.7.6 Service pressures have been identified by Directors and it will be necessary to evidence action that has been taken to mitigate any pressures that have not been funded. It will also be necessary to continue with the sound approach to risk management that the Council has adopted.

8.7.8 Finally, experience of past years has highlighted that a number of budgets face considerable pressure, particularly services reliant upon income generation, services for people with physical and learning Disabilities and out-of borough placements for children. These pressures are highlighted in the forecast outturn for 2018/19. It is essential that Members and management continue to address these pressures and implement the measures that have so far been identified.

8.7.9 Subject to;

- Confirmation of Settlement figures
- Unexpected demand pressures
- The achievement of budget cuts options

And, in light of;

- The effectiveness of the Council's Internal Control framework
- The risk based provision made in the minimum level of General Fund balances
- The Council's overall reserves position

Then I as the section 151 Officer can state that I believe **the budget for 2019/20 to be robust.**

This statement is in compliance with s25 of the Local Government Act 2003.

9.0 ADEQUACY OF RESERVES

9.1 Under the terms of Part 2 of the Local Government Act 2003, when setting the Council Tax the authority's s151 officer (Interim Executive Director of Resources & Regulation) is required to report on the adequacy of the authority's financial reserves. The s151 officer must determine a minimum level reserves and then report on the likely balance on that reserve at the end of the year for which the Council Tax is being set and at the end of the preceding financial year.

9.2 Reserves can be described as amounts that are set aside to meet unexpected changes in the budget and to finance occurrences that cannot be predicted. They usually result from events that have allowed sums to be set aside, surpluses to be made, windfall gains or decisions that have caused anticipated expenditure to be postponed. Reserves of this nature can either be spent or earmarked at the discretion of the Council.

9.3 A minimum level of reserves is required to mitigate the effects of such things as:

- Disasters
- Fluctuations in demand
- Slippage on achievement of cuts options
- Changes in inflation
- Unforeseen movements in interest rates

9.4 There is no statutory definition of a minimum level of reserves and it is for this reason that the matter is left to the judgement of the s151 officer. In coming to a judgement on this matter the s151 officer needs to take into account matters such as:

- Risks inherent in the budget strategy
- Risk management policies and strategies
- Past financial performance i.e. does the authority have a history of containing spending within budget?
- Current budget projections
- The robustness of estimates contained within the budget
- The adequacy of financial controls and budget monitoring procedures

	Risk	£000
Pay inflation Cushion: Budget reflects the implementation of the 2019/20 Pay Award.	L	700
Non-Pay inflation Cushion: Should inflation suddenly rise after the budget has been set, this contingency assumes a 3.0% increase in inflation on non-discretionary items and that discretionary items will be kept within budget.	M	900
Interest Cushion: Given the fact that the cost of borrowing budget reflects a baseline position in respect of interest rates, that borrowing has been locked in and that the Capital Programme requires no new borrowing then risk in this area is felt to be on the up-side especially with short-term investment rates at an historic low.	M	100
Uncertainty of Income Cushion: Adequate provisions are made for bad debts, however, in the past some income budgets have not been achieved and therefore it is prudent to provide a contingency for all non grant income.	H	400
Business Rate Volatility Cushion: The Council now bears the risk for 100% of any changes in Business Rates yield (either through appeals, reliefs, or economic conditions). Historical analysis highlights the volatility of this income stream, and it is therefore prudent to provide a contingency.	H	250
Unpredictable and Demand Led Expenditure Cushion: The Council's budgets have had to be kept to a minimum level for a number of years. As a result, the flexibility to compensate for overspends, by reducing spending in other areas is limited. Conversely, significant investment has been made into 'high risk' budgets and this has helped to mitigate this risk.	H	1,200
Budget Strategy Risk Cushion: There is always likely to be a level of uncertainty around the Authority's ability to achieve savings options; this provision allows for slippage which is beyond the Council's control	H	1,250

Emergency Expenditure Cushion: Provision must be made for the cost of emergencies that by their very nature cannot be predicted and for any uninsured losses.	L	190
Contingency for smaller emergencies e.g. highway collapse.	L	190
TOTAL		5,130

9.5 It is not expected that all of these possibilities would occur at one time and therefore the total can be reduced to reflect risk as shown in the table overleaf:

	Risk Level	Likelihood	Provision £000	Max. Impact £000
Pay inflation cushion	L	60%	700	420
Non-pay inflation cushion	M	80%	900	720
Interest cushion	M	80%	100	80
Uncertainty of income	H	100%	400	400
Business Rate Volatility	H	100%	200	200
Demand led expenditure cushion	H	100%	1,200	1,200
Budget strategy cushion – savings	M	80%	1,250	1,000
Emergency expenditure cushion	L	60%	380	230
			5,130	4,250

9.6 This would set the minimum balance requirement for 2019/20 at **£4.250m** and it is recommended that Members agree to retain the minimum level of balances at this level, to reflect the risks inherent in the budget strategy, demand pressures, and the increasingly challenging budget reduction targets.

9.7 The forecast position on the General Fund balance at 1 April 2019 is shown in the table below:

	£m
General Fund Balance 31 March 2018 per Accounts	7.549
Less : Forecast overspend 2018/19 (month 9)	-2.608
Add : Reprofiled Savings (2018/19)	+2.811
Add : Release of Earmarked Reserves (2019/20)	+626
Forecast level of Reserves	8.378
Less : Minimum balances to be retained in 2019/20	-4.250

Forecast Available balances at 1 April 2019	4.128

- 9.8 Members are reminded that whilst reserves above the minimum level can be released to support expenditure or reduce taxation they can only be used once, and are strongly advised to consider the implications for future years' budgets.
- 9.9 Members should also note that Earmarked Reserves are subject to regular review.

10.0 Conclusion

- 10.1 2019/20 is the final year of the 3 year budget, and is particularly challenging given slippage in the delivery of savings plans, and growing service pressures.
- 10.2 The budget has been balanced through the use of one off resources
- 10.3 Confidence that savings will be delivered, and slippage recovered is provided by;
- the work of the Budget Recovery Group and the Budget Review Team which have helped to obtain a more robust understanding of savings plans
 - all finance staff now report to the s151 Officer
 - the finance function of the Clinical Commissioning Group (CCG) now works closely with the Council and has supported this work.
 - The Communities & Wellbeing and Children & Young People directorates are now both being supported by CCG functions.

COUNCILLOR EAMONN O'BRIEN

CABINET MEMBER FOR FINANCE & HOUSING

For further information on the contents of this report, please contact:

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**ADVICE FROM THE ASSISTANT DIRECTOR OF LEGAL & DEMOCRATIC SERVICES
AND INTERIM EXECUTIVE DIRECTOR OF RESOURCES & REGULATION**

1. INTRODUCTION

This note sets out in some detail Members' individual responsibilities to set a legal budget and how Members should approach the task.

It also reminds Members about the rules concerning disclosable, personal and prejudicial interests.

The paper concludes with specific legal advice over aspects of the budget which potentially give rise to difficulties.

2. WHEN THE BUDGET MUST BE SET

Under Section 32 of the Local Government Finance Act 1992, budget calculations have to be made before 11th March, but they are not invalid merely because they are made on or after 11th March. The Localism Act 2011 includes amendments to the 1992 Act and requires the Council to calculate a Council Tax Requirement for the year, due to the referendum provisions if the Council Tax is increased above a prescribed level. However, delay in setting the Council Tax will have very serious financial consequences. It will render the Council vulnerable to legal proceedings requiring it to set the tax.

In any event, it is important that the tax is set well in advance of 1st April as no sum is payable for Council Tax until 14 days after the date of posting bills.

Serious financial losses will accrue very soon from a late setting of Council Tax as income is delayed and interest is foregone.

An important feature of Council Tax is that the statutory budget calculation must be followed exactly. If not, the Council Tax resolution will be invalid and void. Detailed advice will therefore be available at the Council meeting.

3. NOTICE

There is a requirement to publish notice of the amount set for Council Tax in at least one local paper within 21 days.

4. COUNCIL TAX REFERENDUM

Under the provisions of the Local Audit & Accountability Act, The Secretary of State has the power to require any billing or precepting Authority which sets an excessive Council Tax increase to hold a public referendum.

Any authority planning an excessive council tax increase will be required to prepare a 'shadow budget' based on the maximum non-excessive council tax increase allowed and they will also be required to inform the Secretary of State by notice.

The legislation requires the authority proposing the excessive increase ('the relevant authority') to prepare supporting factual material setting out the

proposed council tax increase and budget, the comparative non-excessive council tax rise and shadow budget, and the estimated cost of holding the referendum. At the same time that bills are sent to council taxpayers, the billing authority will send this information, together with polling cards, to every registered local elector. Local councillors would of course be free to make the case for any excessive increase, but the relevant authority would be prohibited from campaigning on the issue.

If the proposed rise in council tax were rejected, the relevant authority would immediately adopt the shadow budget and transfers from the Collection Fund would be reduced accordingly. It would also be required to inform the Secretary of State by notice. The billing authority would be able to issue new bills immediately, offer refunds at the end of the year or allow credits against liability in the following year. However, consistent with existing legislation, billing authorities will be required to refund (and re-bill) any local resident who requests this.

5. MEMBERS' FIDUCIARY DUTIES

The obligation to set a balanced budget at the start of every year is shared equally by each individual Member. In discharging that obligation, Members owe a fiduciary duty to the Council Taxpayer.

The budget must not include expenditure on items which would fall outside the Council's powers. Expenditure on lawful items must be prudent, and any forecasts or assumptions such as rates of interest or inflation must themselves be rational. Power to spend money must be exercised bona fide for the purpose for which it is conferred and any ulterior motives risk a finding of illegality. In determining the Council's overall budget requirement, Members are bound to have regard to the level of Council Tax necessary to sustain it. Essentially the interests of the Council Taxpayer must be balanced against those of the various service recipients.

Within this overall framework, there is of course considerable scope for discretion. Members will bear in mind that in making the budget, commitments are being entered which will have an impact on future years. Some such commitments are susceptible to change in future years, such as staff numbers which are capable of upward or downward adjustment at any time. Other commitments however impose upon the Council future obligations which are binding and cannot be adjusted, such as loan charges to pay for capital schemes.

In respect of the Council's equalities duties, these apply to consideration of the allocation of budget and service planning but as stated, in respect of individual decisions, the overall budget is only at a formative stage. Once full and final decisions are taken, the Council will comply with its full duties via the completion and consideration of the appropriate analyses, including consideration of mitigating steps and alternatives.

In setting the proposed budget, due regard has to be given to only relevant and not irrelevant considerations, including equality, human rights, proportionality, reasonableness, the need to deliver statutory obligations, legitimate expectation and the Council's priorities.

The Council is required to have due regard to the need to eliminate discrimination and promote equality. The Council has a robust system for assessing the equality impact of proposed changes to policies, procedures and practices and this will be applied to any decisions which result from the need to make savings. This will

include decisions such as reorganisations and relocation of service delivery and service transformation.

The Council will ensure that the decisions flowing from this budget are made in a fair, transparent and accountable way, considering the needs and the rights of different members of the community and its workforce. This will take place in detail in each of the specific programmes set up to deliver the savings.

The Council will also have to have due regard to the potential for any cumulative impact on some groups from separate work streams arising from the budget. Sufficient flexibility and delegation will be built into each programme that arises from this budget to ensure that any detailed consultation requirements and equality impact that identifies a need to make adjustments to remove barriers identified or to better promote equality, can be implemented.

A Member who votes in accordance with the decision of his or her political group, but who does so after taking into account the relevant factors and professional advice, will be acting within the law.

Party loyalty and party policy are capable of being relevant considerations for the individual Member provided the member does not blindly toe the party line without considering the relevant factors and professional advice and without properly exercising any real discretion.

Under the Code of Conduct, members are required, when reaching decisions, to have regard to relevant advice from the Section 151 Officer and the Monitoring Officer. If the Council should fail to set a budget at all or fail to set a lawful budget, contrary to the advice of these two officers there may be a breach of the Code by individual members if it can be demonstrated that they have not had proper regard to the advice given.

6. ARREARS OF COUNCIL TAX AND VOTING

In accordance with section 106 of the Local Government Finance Act 1992, where a payment of Council Tax that a member is liable to make has been outstanding for two months or more at the time of a meeting, the Member must disclose the fact of their arrears (though they are not required to declare the amount) and cannot vote on any of the following matters if they are the subject of consideration at a meeting:

- (a) Any decision relating to the administration or enforcement of Council Tax.
- (b) Any budget calculation required by the Local Government Finance Act 1992 underlying the setting of the Council Tax.
- (c) Any recommendation, resolution or other decision which might affect the making of the Annual Budget calculation.

Members should note the following points:

- (i) These rules are extremely wide in scope. Virtually any Council decision which has financial implications is one which might affect the making of the budget underlying the Council Tax for next year and thus is caught.
- (ii) The rules do not apply just to full Council meetings but extend to committees and sub-committees of the Council.

- (iii) Members who make a declaration are not entitled to vote on the matter in question but are not prevented by the section from taking part in the discussion. However, where questions of enforcement are under consideration, Members with any arrears of Council Tax are likely to have a prejudicial interest under the Code of Conduct.

In these circumstances Members are disentitled from taking part in discussions as well as from voting, and must declare an interest whether or not their arrears have been outstanding for two months and must leave the room.

- (iv) Members will have a defence under section 106 if they did not know that the section applied to them (i.e., that they were in arrears to the relevant extent) at the time of the meeting. Thus unwitting Members who for example can prove that they did not know and had no reason to suppose at the time of the meeting that their bank has failed to honour a standing order will be protected should any prosecution arise.
- (v) It is not enough to state that a benefit application has been submitted which has not yet been determined, as Members remain liable to pay pending determination.

7. DISCLOSABLE PECUNIARY INTERESTS

Members are reminded that Government guidance was issued which says that as Council tax liability applies to the generality of the population; councillors have no unique position in that regard.

Being a council taxpayer or being eligible for a discount under the new local arrangements for council tax support **are not disclosable pecuniary interests** as specified in the regulations.

(Therefore a **councillor does not need to seek a dispensation** in order to participate in discussions or vote on decisions in the council tax setting process or local arrangements for council tax support)

Personal and Prejudicial Interests

Under the Code of Conduct, a member will have a personal interest in an item of business if a decision in relation to that business might reasonably be regarded as affecting his or her well-being or financial position or the wellbeing or financial position of a relevant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the electoral division or ward, as the case may be, affected by the decision.

Any member with such an interest will, generally, have to declare that interest at the start of the agenda item. However, if the business of the meeting relates to or is likely to affect any of the following categories of people then you need only disclose to the meeting the existence and nature of that interest if you actually address the meeting on that business:

- i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;

- ii) any body exercising functions of a public nature.

A personal interest will also be a prejudicial interest, if it is one that members of the public, knowing the facts, would reasonably regard as so significant as to be likely to prejudice the Member's judgement of the public interest.

However, under the Code, a member will not have a prejudicial interest if the business under consideration — (a) does not affect your financial position or the financial position of a connected person (listed in paragraph 8 of the Code) nor (b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any connected person or body. (There are other specified exemptions relating to school meals, council tenancies, allowances, etc).

If a member does have a prejudicial interest then the Member concerned must withdraw from the meeting and leave the room.

Members should seek early advice to avoid any confusion on the night of the meeting.

Dispensations

Dispensations are available in respect of prejudicial interests under the Code of Conduct but only in very limited circumstance and only from the Standards Committee. The Standards Committee can only meet on 5 clear days notice and, unless certified as urgent, business can only be transacted if 5 clear days notice of it has been given.

8. RESPONSIBILITIES OF CHIEF FINANCIAL OFFICER AND AUDITORS' POWERS

Section 151 Officer and Monitoring Officer

Section 114 of the Local Government Finance Act 1988 places the Section 151 Officer under an obligation to prepare a report (to full Council) if it appears to him that the expenditure the Authority proposes to incur in a financial year is likely to exceed its resources available to meet that expenditure. A failure to take note and act on such a report could lead to a complaint. Similarly, the Council's Monitoring Officer is required to report to full Council if it appears to her that a decision has been or is about to be taken which is or would be unlawful or would be likely to lead to maladministration.

Under section 25 of the Local Government Act 2003 the Section 151 Officer is now required to report to the authority on the robustness of the estimates made for the purposes of the calculations required to be made by the Council. These are the estimates which the Cabinet is required to determine and submit to Full Council and are contained within this report.

However, if the Council were minded to agree a budget based on different estimates e.g. if Council did not agree with the estimates provided by the Leader/Cabinet then those estimates which the Council would adopt would effectively become 'the estimates' for the purpose of Section 25 and as such should be subject to a report by the Section 151 Officer.

External Auditors' Powers

Section 91 of the Local Government Act 2000 provides that an External Auditor may issue an "Advisory Notice" if he has reason to believe that an Authority is about to take a course of action which, if pursued to conclusion, would be unlawful and likely to cause a loss or deficiency. This power is to be used where the matter is significant either in amount or in principle or both. While the advisory notice has effect it is not lawful for the authority to implement or take the course of action in question unless it has considered the issues raised in the notice and given the auditor notice that it intends to proceed with that course of action in a specified period and that period has expired.

In addition, it is also open to the Auditor to apply for judicial review on any decision of an Authority or failure to act which it is reasonable to believe would have an effect on the accounts of an Authority.

9. SPECIFIC BUDGET ADVICE

Balances and Other Budget Calculations

A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular local authorities are required by section 32 of the Local Government Finance Act 1992 to calculate as part of their overall budget, what amounts are appropriate for contingencies and reserves. The Council faces various contingent liabilities set out in the main budget report. Furthermore the Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. Members will need to pay careful attention to the advice of officers here.

In addition to advising on the robustness of the estimates as set out above, the Section 151 Officer is also required to report on the robustness of the proposed financial reserves. The same advice applies to these as to the other calculations required to be made by the Council. The Section 151 Officer's view of the level of reserves is contained within the report.

(Having considered the officer's report the Council is then required to "*have regard to the report*" but it is not required to adopt the recommendations in it. However, Members must demonstrate they have acted reasonably if they do not adopt the recommendations).

Alternative Proposals

If alternative proposals to those contained in this report are moved at the budget setting meeting, the Section 151 Officer will need to consider if the estimates or proposed financial reserves contained in this report are affected and whether a further report (which may be oral) is required under section 25 of the Local Government Act 2003. If the Section 151 Officer is unable to report on the estimates or the reserves because of the lateness of the alternative proposals then he will not be able to comply with this statutory requirement. The Act does not say what happens if this duty is not fulfilled and nor does it say whether the Council can set the budget without that advice. It follows from this then that there is no express statutory prohibition. However, the authority is at risk of a Judicial Review by an interested person e.g. a resident or the Audit Commission

if the Council has failed to have regard to a report of the Section 151 Officer on the estimates and reserves used for its budget calculations.

Expenditure Charged to the Housing Revenue Account

Members will be aware that the Housing Revenue Account (HRA) is by law to be maintained separately from the General Fund and there are strict rules which determine to which account any expenditure must be charged. There are only very limited areas of discretion here. Members should bear in mind that if they wished to review any current determination which affects the apportionment of charges between the General Fund and HRA, they would need to do so on the basis of an officers' report and specific legal advice. The Housing Revenue Account must be maintained in balance throughout the year by Section 76 Local Government and Housing Act 1989.

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GLOSSARY OF TERMS

Budget requirement

This is the amount each authority estimates as its planned spending, after deducting any funding from reserves and any income it expects to raise (other than from the Council Tax and general funding from the Government). The budget requirement is set before the beginning of the financial year.

Business rates

These rates, called National Non-Domestic Rates, are the means by which local businesses contribute to the cost of providing local authority services. Business rates income is now retained 100% under the pilot operating within Greater Manchester.

Council Tax

A local tax on domestic property set by local authorities in order to meet their budget requirement.

Council Tax base

The Council Tax base of an area is equal to the number of band D equivalent properties. To work this out, the Government counts the number of properties in each band and works out an equivalent number of band D properties. For example, one band H property is equivalent to two band D properties, because it pays twice as much tax. The amount of revenue which could be raised by Council Tax in an area is calculated allowing for discounts, exemptions and the Local Council Tax Support scheme.

Council Tax bands

There are eight Council Tax bands. How much Council Tax each household pays depends on the value of their home.

Council Tax discounts and exemptions

Discounts are available to people who live alone and owners of homes that are not anyone's main home. Council Tax is not charged for certain properties, known as exempt properties, such as those lived in only by students.

Council Tax Referendum

Under the provisions of the Local Audit & Accountability Act, The Secretary of State has the power to require any billing or precepting Authority which sets an excessive Council Tax increase to hold a public referendum (see Appendix 2).

Reserves

This is a council's accumulated surplus income (in excess of expenditure) which can be used to finance future spending.

Revenue Expenditure

Expenditure financed by grant, locally retained business rates, council tax and use of reserves.

Revenue Support Grant (RSG)

The cash amount that the Government pays towards the general cost of Council services. The RSG is used to offset our general costs.

Ring-fenced grant

A grant paid to local authorities which has conditions attached to it, which restrict the purposes for which it may be spent.

Settlement Funding Assessment

A combination of Business Rates Baseline, Top Up, and Revenue Support Grant are which essentially represents the Authority's baseline income for the year – before Council Tax.

Specific Grants

Targeted or ring-fenced grants are sometimes referred to as specific grants.

Spending Power

The combined income for the Council - includes Settlement Funding Assessment, Council Tax income, and other specific grants. It should be noted that Specific Grants are conditional, and not available to support the wider Council Budget.

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Summary of Savings to be delivered 2019/20

	£'000
2019/20 Savings Target	11,898
Add Backlog of undelivered savings (Yrs 1 & 2)	5,040
Less Additional Resources Identified (CWB)	(4,334)
Less Slippage to 2020/21	(4,596)
Delivery Target for Year	8,008

To be delivered 2019/20;

Saving	£'000
RESOURCES & REGULATION	
Pay Services – income generation	50
Insurances	200
Debt Collection	100
Undertaking legal work in house in respect of insurance claims	200
Review of Finance Structures	200
Review of Financial Assessments / Income Collection	300
Telephony Contract savings	100
Data Management / Storage Costs	200
Reconfiguration of Security Service	150
Review of discretionary budgets	281
TOTAL FOR DELIVERY 2019/20	1,781

CHILDREN & YOUNG PEOPLE	
Reduced Pension Liabilities	150
Business Support Functions	68
Traded Services Finance / HR	120
Early Years / Early Help / Service Reviews / Transformation	2,221
Asset Management, inc Libraries	90

Procurement Contract reviews	150
TOTAL FOR DELIVERY 2019/20	2,799

OPERATIONS	
Maximising the using of capital to fund all allowable highway maintenance activity, some of which has previously be funded from revenue budgets.	600
Car Parking	200
TOTAL FOR DELIVERY 2019/20	800

BUSINESS, GROWTH & INFRASTRUCTURE	
Facilities Management Review	50
Office Accommodation Review	288
TOTAL FOR DELIVERY 2019/20	338

COMMUNITIES & WELLBEING	
Public Health	890
Social care review of lower cost packages	1,000
Medication visits through care at home	400
TOTAL FOR DELIVERY 2019/20	2,290

GRAND TOTAL	8,008
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Supporting narrative for these measures is included in the Directorate Budget reports which accompany this report.