NOTICE OF KEY DECISION

Bury COUNCIL

Agenda Item	

MEETING:	**CABINET** **OVERVIEW AND SCRUTINY COMMITTEE**
DATE:	**13 NOVEMBER, 2019** **21 NOVEMBER, 2019**
SUBJECT:	**CORPORATE FINANCIAL MONITORING REPORT – APRIL 2019 TO AUGUST 2019**
REPORT FROM:	**CABINET MEMBER FOR FINANCE AND HOUSING**
CONTACT OFFICER:	**MIKE WOODHEAD, JOINT CHIEF FINANCE OFFICER, BURY COUNCIL AND BURY CCG**

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 2019 to August 2019 and projects the estimated outturn at the end of 2019/20. The report also includes Prudential Indicators in accordance with CIPFA's Prudential Code.
OPTIONS & RECOMMENDED OPTION	Members are asked to note the projected financial position of the Council as at 31 August 2019.

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 themed Budget Recovery Boards and at joint JET / Cabinet meetings.
Statement by Joint Chief Finance Officer :	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 prudent forecasts, several budget hotspots exist which will need remedial action.

Members and officers will be examining these areas in more detail at the joint JET / Cabinet meetings as well as at the themed Budget Recovery Boards.

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: Mike Woodhead**

Chief Executive/ Joint Executive Team	Cabinet	Overview & Scrutiny Committee	Council	Ward Members	Partners
21/10/19	**13/11/19**	**21/11/19**			

1.0 INTRODUCTION

1.1 This report informs Members of the forecast outturn for 2019/20 based upon current spend for the period 1 April 2019 to 31 August 2019 in respect of the revenue budget, capital budget, 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 report highlights the fact that budget pressures exist in some key areas and it will be necessary to continue to examine options for improving the situation during the remainder of the year.

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) on a monthly basis and detailed monitoring information will also be discussed at joint JET / Cabinet meetings during the year.

Four themed Budget Recovery Boards have also been established to oversee the implementation of savings plans, to develop further pipeline schemes, to monitor additional pressures arising in year, and to identify mitigations. A Council-CCG wide system of tracking progress has been implemented and a savings tracker is updated and shared with senior managers and JET on a fortnightly basis. The four boards are:

- Health and Care
- Corporate Core
- Business Growth and Investment
- Operations and Other Council Services

Other measures include a £1,000 per transaction procurement limit, a Budget Control Group that considers requests for filling vacant posts, a review of external staff resources such as contractors and consultants.

2.3 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 5:

Department	Budget	Forecast	Variance
	£000	£000	£000
Communities & Wellbeing	70,582	71,672	**1,090**
Resources & Regulation	7,486	8,071	**585**
Business, Growth and Infrastructure	(924)	155	**1,079**
Children, & Young People	41,184	42,341	**1,157**
Operations	12,878	12,751	**(127)**
Art Gallery & Museum	565	653	**88**
Non Service Specific	7,091	3,686	**(3,405)**
TOTAL	**138,862**	**139,329**	**467**

3.2 The projected overspend of £0.467m represents approximately 0.34% of the total net budget of £138.862m.

3.3 Further analysis of the forecasts is provided in section 4.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

4.1.1 The CWB budget is forecast to overspend by £1.090m, an increase of £0.145m since M4. The main reasons for the monthly movement are worsening savings forecasts within the care in the community and leisure services budgets; and increased utility costs and deteriorating income projections (also within Leisure services)

4.1.2 The M5 overspend is analysed by CWB service area in the table below.

Communities and Wellbeing Division	Current Budget (£'000)	Forecast Outturn (£'000)	Month 5 Variance (£'000)
Housing Related Services	907	786	(121)
Care in The Community	31,136	31,434	298
Commissioning & Procurement Other Services	16,522	16,468	(54)
Finance, Customer Services and Asset Management	1,296	1,238	(58)
ASC Operations	7,088	6,909	(179)
GM Transformation Fund	0	0	0
Public Health	10,026	10,026	0
Workforce Modernisation & Adult Education	563	553	(10)
Civic Venues	254	565	311
Environment	527	930	403
Communities	1,006	953	(53)
Parks/Countryside	171	187	16
Sports and Leisure	1,086	1,623	537
Total	70,582	71,672	1,090

4.1.3 M5 Material Variances:

- Sports and Leisure is forecast to overspend by £0.537m due to non-achievement of historic savings targets. The Leisure service is part of a wider Growth and Investment Review which includes the option of closure of one or more facilities.
- Environmental Services is forecast to overspend by £0.403m due to non-achievement of historic savings targets. The savings are in scope of the PPRE review (which goes beyond Environmental Health). It was agreed at JET that this saving programme will be led by the AD of Operations who will be taking forward the PPRE review. The savings won't be achieved until next year and work is underway through the Operations Finance Recovery Board regarding in year mitigations.

- Civic Venues is forecast to overspend by £0.311m, due to income shortfalls at Civic and Leisure venues. Civics is part of the wider Growth and Investment Review and is increasing its use to support the integrated wellness agenda.
- Care in the Community is forecast to overspend by £0.298m and includes an unfunded £0.5m transitions pressure.
- Adult Social Care Operations is forecast to underspend by £0.179m. However, within this underspend is a £0.442m overspend on the community equipment budget which is offset by c£0.620m of salary underspends.

4.1.4 M5 Call on Reserves

- The M5 CWB forecast includes a £1.331m contribution from reserves to cover non-recurrent items of expenditure. (Note: This is in addition to the £0.756m use of reserves referenced in the February Cabinet Report)

4.1.5 Severance Costs

- As at M5 the forecasted severance payments within the CWB forecast totals £0.236m

4.1.6 Savings/Pressures

2019/20 Savings Programme

The 2019/20 CWB savings programmes are forecast to achieve their respective targets:

- The 2019/20 low cost care package (£1m) and medication visit (£0.4m) reviews are forecast to achieve their respective targets, £0.550m is forecast to achieve through the work of the Reviewing team with the remaining £0.850m being offset/mitigated by demand management and the additional growth awarded to Community Care budgets as part of 2019/20 budget setting.
- Although the 2019/20 supporting people saving programme (£0.125m) is expected to achieve a £0.064m saving this still leaves a shortfall of £0.061m. However, it is expected that any shortfall will be mitigated by underspends elsewhere.
- The 2019/20 savings relating to Investment agreement with the LCO (£0.5m) has been met/mitigated through a budget reallocation exercise
- The 2019/20 savings relating to increased HRA (£0.5m) has been met/mitigated through a budget reallocation exercise
- The 2019/20 Public Health Saving Target of (£0.890m) has been fully allocated to saving schemes and is forecast to be achieved.

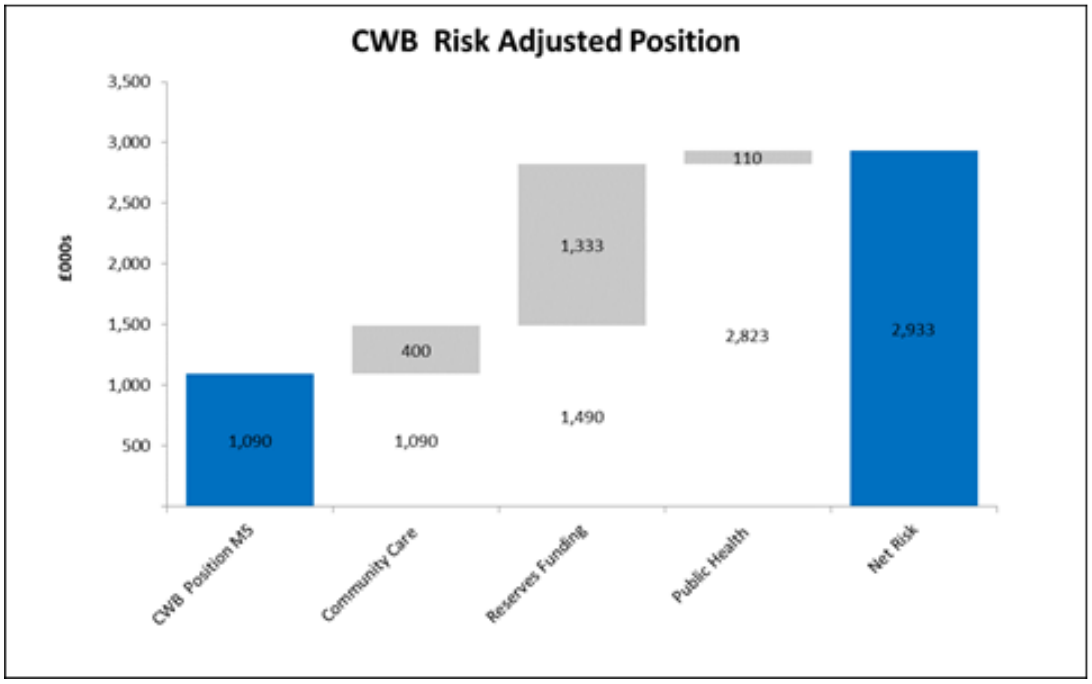
Historical Savings/Pressures

There is currently £1.148m of unachieved historical savings/pressures adversely impacting the M5 position.

- Environmental services - £0.370km
- Leisure Services - £0.467m
- Civic budgets - £0.311m

4.1.7 Potential Risks/Mitigations

The chart below highlights potential risks/mitigations currently not in the forecast.



Note 1: The Community Care risk relates to a potential understatement regarding client top up expenditure commitments
Note 2: Reserves funding highlights the impact of use of reserves being declined/unavailable
Note 3: The Public Health risk relates to the high risk (in terms of unachievement) of the public Health savings programme

4.2 RESOURCES AND REGULATION

4.2.1 The Resources and Regulation budget is forecast to overspend by £0.585m, an increase of £0.262m since month 4. The main reasons for the monthly movement are due to the inclusion of the exit costs and staffing forecasts costs in respect of the HR restructure which has now been completed (£0.202m) together with increases in bank charges (£0.047m) and approval of one-off severance costs in Finance (£0.031m). These are offset by reduced forecast in running costs (-£0.018m).

4.2.2 The Month 5 overspend is analysed by Resources and Regulation service area in the table below.

Resources and Regulation Department	Current Budget (£'000)	Forecast Outturn (£'000)	Month 5 Variance (£'000)
Operational Services	**(596)**	**(591)**	**5**
Finance and Efficiency	**3,674**	**3,933**	**259**
Human Resources	**463**	**571**	**108**
Corporate People Services	**949**	**1,043**	**94**
Legal and Democratic Services	**1,632**	**1,707**	**75**
Customer Support and Collections	**1,487**	**1,488**	**1**
Information and Communication Technology	**(241)**	**(241)**	**0**
Trading Services	**118**	**161**	**43**
Total	**7,486**	**8,071**	**585**

4.2.3 M5 Material Variances:

- Finance and Efficiency is forecast to overspend by £0.259m due to non-achievement of savings (£0.200m), payment of one-off exit costs of (£0.133m) less net underspends on staffing and running costs of (- £0.074m) across the services.
- Human Resources is forecast to overspend by £0.108m due to payment of one-off exit costs of(£0.386m) offset by savings slippage of (- £0.200m), both as a result of the recent HR restructure, plus forecast underspend in running costs of (- £0.078m).
- Corporate People Services is forecast to overspend by £0.094m due to a number of temporary supernumerary posts being retained to assist the smooth transition of the HR restructure.
- Legal and Democratic Services is forecast to overspend by £0.075m due to additional costs from the Municipal Election (£0.124m), additional staffing costs of (£0.044m) offset by savings in Members Allowances of (-£0.088m) and minor underspends of (-£0.005m).
- Trading Services is forecast to overspend by £0.043m due to increase in food prices and salaries in High schools of(£0.101m) plus increase in prices, salaries and drop in income in Primary schools (£0.129m) offset by Cleaning SLA income of (- £0.187m).

4.2.4 M5 Call on Reserves:

The month 5 forecast includes a £0.344m contribution from reserves regarding the funding of posts in Customer Support and Collections, £0.206m relating to cost of elections and a contribution to reserves of £0.094m relating to ICT developments. Recurrent funding needs to be identified for all substantive posts as part of the 2020/21 budget setting process.

4.2.5 Severance Costs:

As at Month 5, forecasted severance payments within the Resources and Regulation forecast totals £0.601m

4.2.6 Savings/Pressures:

2019/20 Savings Programme

The following 2019/20 Resources and Regulation savings programmes are forecast to achieve their respective targets. These include:

- Pay services income generation of £0.050m from external business.
- Savings of £0.200m, from undertaking legal work in house in respect of insurance claims
- Review of Finance services to achieve savings of £0.200m
- Telephony contract savings of £0.100m
- Data management and storage costs savings of £0.200m
- Reconfigurement of the security service to achieve savings of £0.150m
- Review of discretionary budgets to achieve savings of £0.281m

The following are considered to be high risk and likely to be delayed:

- Savings of £0.200m, to be achieved through joining a mutual insurance scheme; high risk due to uncertainty of go-ahead and start date as well as impact on premiums.
- Savings of £0.100m, as a result of improved debt collection within Customer Support and Collections
- Setting up a central point for financial assessments to achieve savings of £0.100m.

4.3 BUSINESS, GROWTH AND INFRASTRUCTURE

4.3.1 The Business, Growth and Infrastructure budget is forecast to overspend by £1.079m, an increase of £0.534m since month 4. The main reasons for the monthly movement are due to the inclusion of estimated costs associated with the office accommodation review which are currently unfunded (£0.345m), a need for urgent compliance works required at the Town Hall (£0.135m) and a more than expected shortfall in Architectural income of (£0.129m). These are offset by reduced staffing and running costs of (-£0.075m).

4.3.2 The Month 5 overspend is analysed by Business, Growth and Infrastructure service area in the table below.

Business, Growth and Infrastructure	Current Budget (£'000)	Forecast Outturn (£'000)	Month 5 Variance (£'000)
Business Growth Management Team	726	1,175	449
Regeneration	108	143	35
Planning & Development Control	431	440	9
Property Management and Admin Buildings	(2,405)	(2,008)	397
Strategic Housing	495	418	(77)
Architects	(279)	(13)	266
Total	(924)	155	1,079

4.3.3 M5 Material Variances:

- Business Growth Management Team is forecast to overspend by £0.449m due to forecast additional costs as a result of the Accommodation Review (£0.389m), unbudgeted consultancy costs (£0.102m), cost of consultancy for the Facilities Management review (£0.116m) and minor overspends (£0.030m) offset by underutilised carbon reduction commitment budget (-£0.188m).
- Regeneration is forecast to overspend by £0.035m due to unachieved savings targets of (£0.050m) offset by net salary savings (-£0.015m).
- Property Management and Admin Buildings is forecast to overspend by £0.397m due to projected overspend of (£0.348m) in Admin Buildings re urgent compliance work in respect of roofing, electrics required for Town Hall, and budget shortfall on rates, cleaning and utilities; additionally, there is a projected overspend on Markets of (£0.033m) due to additional costs for asbestos removal / maintenance / utilities and shortfall of income due to voids (£0.054m). These are offset by projected salary savings of (-£0.038m) due to vacancies. There is projected net nil variance in Property Services. However, there a number of projected overspends in relation to costs associated with empty properties(£0.046m), shortfalls in income due to voids / rent reductions (£0.100m) and additional legal recharges (£0.055m). These are, however, offset by projected underspends due to additional income from investment properties (-£0.132m), additional rental income for Town Centre properties (-£0.022m) as well as salary savings of (-£0.047m).
- Strategic Housing is forecast to underspend by £0.077m due to increases in income and salary savings in Urban Renewal (-£0.069m) as well as additional income from home improvements (-£0.008m).
- Architects is forecast to overspend by £0.266m due to severance costs of (0.135m) and income shortfall of (£0.136m).

4.3.4 M5 Call on Reserves:

The month 5 forecast includes a £0.493m contribution from reserves regarding the funding of Senior Management posts within the department.

4.3.5 Severance Costs:

As at Month 5, forecasted severance payments within Business, Growth and Infrastructure forecast totals £0.268m

4.3.6 Savings/Pressures:

<u>2019/20 Savings Programme</u>

The following 2019/20 Business, Growth and Infrastructure savings programmes are considered to be of medium risk and likely to be delayed. These include:

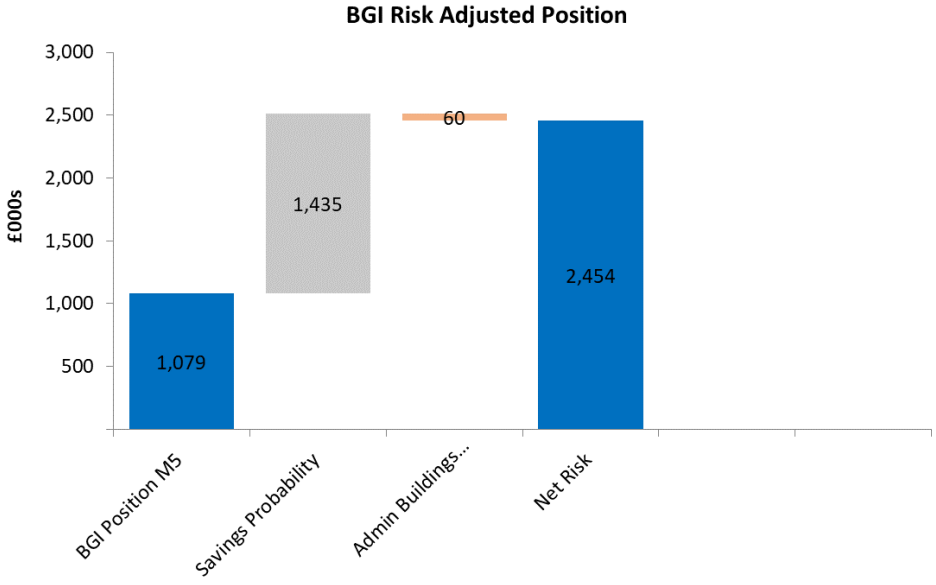
- Facilities Management review Phase 1 of £0.050m
- Office Accommodation review Phase 1 of £0.288m

The following savings programmes have been slipped into 2020/21:

- Facilities Management Review Phase 2 (£0.550m)
- Urban Renewal review (£0.175m)
- Office Accommodation review (£0.212m)
- Review of Architects (£0.150m)
- Investment Properties (£0.348m)

4.3.7 Potential Risks/Mitigations

The chart below highlights potential risks/mitigations currently not in the forecast (see notes for detail)



Note 1: Relates to the risk that the 2020/21 savings programme is not achieved
Note 2: Relates to the mitigation of using the Admin Buildings Reserve of £60,000 if approved to offset compliance works at the Town Hall

4.4 CHILDREN'S AND YOUNG PEOPLE

4.4.1. The Looked After Children services and Education Psychologists saw the greatest increases in forecasts which were offset by savings identified on vacant posts relating to the departmental restructure. The month 5 overspend is analysed by C&YP service area in the table below.

Children & Young People Division	Current Budget (£'000)	Forecast Outturn (£'000)	Month 5 Variance (£'000)
Learning - Schools	(6,310)	(6,310)	0
Learning - Non Schools	6,315	6,260	(55)
Early Help & School Readiness	980	849	(131)
Childcare & Extended Services	559	559	0
Safeguarding & Young People's Services	4,241	4,416	175
Family Support Services	2,059	1,984	(75)
Children Looked After	14,877	15,789	912
Youth Justice	17	17	0
Services for Young People	196	213	17
Quality Assurance	1,255	1,237	(18)

Other Management Costs	**325**	**1,352**	**1,027**
Strategy & Commissioning	**1,916**	**1,076**	**(840)**
Departmental Wide	**6,881**	**6,881**	**0**
Libraries	**1,563**	**1,708**	**145**
Total	**34,874**	**36,031**	**1,157**

Please note the above table includes School balances

4.4.2 Month 5 Material Variances:

- Safeguarding & Young People's Services are forecast to overspend by £0.175m, the Safeguarding Teams are set to overspend due to agency staff covering maternity leave/secondment and vacant posts (£0.117m), this is offset by delays in recruitment on the Initial Response Team and Service Manager posts created as part of the restructure(-£0.072m). There are also overspends on the Higher Lane Building costs (£0.050m) and External Legal Fees of (£0.080m).
- Children Looked After is forecast to overspend by £0.912m on Fostering (£0.147m) due to increased pressure from the payment for skills costs and Special Guardianship Orders, Residential and IFA placements are overspending (£0.660m) as a result of additional placements and the complexity of care required and the Adoption placement fees are forecast at(£0.159m) overspend based on the number of children that we are unable to place through the Regional Adoption Agency and will therefore attract placement fees. Delays in recruiting to the Service Manager
- and other vacant posts has made a saving of (-£0.050m).
- Other Management Costs is forecast to overspend by £1.027m – This is the current forecast of the unallocated/unachieved savings for 2019-20.
- Early Help & School Readiness is forecast to underspend by -£0.131m due to the GM Innovations funding to support the implementation of the Early Help Stockport Families Model.
- Strategy & Commissioning is forecast to underspend by- £0.840m This underspend relates to the Social Care Support Grant allocated to CYP in 2019-20 and will be used to reduce the pressures on Looked After Children.
- Libraries are set to overspend by £0.145m – The ongoing budget pressures include increased business rates, payments to joint authorities, building maintenance costs and increased utility costs.

4.4.3 Month 5 Call on Reserves

During 2019-20 CYP has drawn down £0.130m from long term provisions to fund building adaptations to ensure the ongoing care of a large sibling group placed with an in-house foster carer and allow to facilitate the adoption of a sibling with an existing adoptive family.

4.4.4 Severance Costs

As at month 5 forecasted severance payments within the CYP forecast total £0.082m.

4.4.5 Savings/Pressures

<u>2019/20 Savings Programme</u>

The 2019/20 CYP savings programmes are forecast to achieve or partially achieve their respective targets:

- The Business Support Functions and Traded Service reviews have exceeded the targeted savings of £0.188m by £0.012m.
- The departmental restructure will achieve savings of £0.753m in this financial year against the target of £1,480m, the full year effect of £1,129m will be achieved in 2020-21. The shortfall is mitigated by delays in filling new or vacant posts in the new structure (-£0.355m).

The following are considered to be high risk and likely to be delayed:

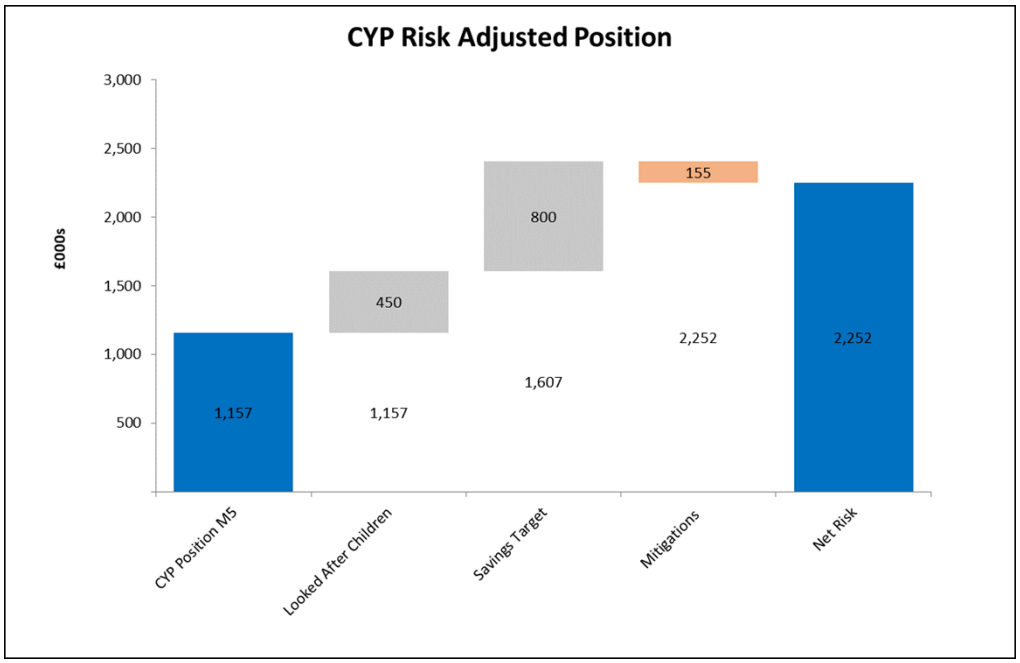
- The Pensions Liabilities remain at the same level as previous years, it is unlikely that the saving of (£0.150m) will be met this year.
- Delays in relocating from Higher Lane has meant that the saving (£0.090m) will be partially achieved this year.
- Procurement & Contract Reviews (£0.150m) and Transformation of Children's Social Care (£0.740m) are likely to be cost avoidance as opposed to budget savings.

4.4.6 Historical Savings/Pressures

There is currently (£0.105m) of unachieved historical savings/pressures adversely impacting the month 5 position.

4.4.7 Potential Risks/Mitigations

The chart below highlights potential risks/mitigations currently not in the forecast (see notes for detail



Note 1: Looked After Children is attached to the risk of an increase in the number/complexity of additional children being taken in to care that are not currently included in the forecast.
Note 2: High risk of under achievement of the 2019-20 savings target.
Note 3: Mitigations not reported in the month 5 forecast include delays in recruitment to posts within the new structure and identification of external funding.

4.5 OPERATIONS

4.5.1 The Operations budget is forecast to underspend by (- £0.127m), a decrease of (- £0.039m) since M4. The main reasons for the monthly movement, is a provision within the revenue budget for the welfare improvements within Transport is no longer required, as funding has now been agreed via the capital programme.

4.5.2 The M5 underspend is analysed by Operations service area in the table below.

OPERATIONS	CURRENT BUDGET	FORECAST OUTTURN	MONTH 5 VARIANCE
Grounds Maintenance	**1,742**	**1,712**	**(30)**
Engineers	**5,021**	**4,996**	**(25)**
Winter Maintenance	**271**	**332**	**61**
Transport/ Workshop	**448**	**199**	**(249)**
Waste Management / Street Cleaning	**5,396**	**5,512**	**117**
Total	**12,878**	**12,751**	**(127)**

4.5.3 M5 Material Variances:

- Waste Management / Street Cleaning are forecast to overspend by (£0.117m) this is partly the balance of savings target not achieved (£0.084m); a temporary relief budget (£1,030m) was given in 2019/20, there has also been an increase costs of caddy liners and fuel as at month 5.
- Transport and Workshop is forecast to underspend by (-£0.249m) there has been a reduction in vehicle financing cost, due to the purchase of vehicles in 2018/19.

4.5.4 M5 Call on reserves

No call on reserves

4.5.5 Severance Costs

As at M5 Actual severance payment within Operations totals £0.017m.

4.5.6 Savings/Pressures

2019/20 Savings Programme

- The 2019/20 £0.500m savings target within Highways has been achieved.

Historical Savings/Pressures

- Waste Management £0.084m balance of savings target still to be achieved; a one off £1.030m contribution to savings target in 2019/20 has been added to the budget to alleviate the pressure until a permanent solution has been found. Various options are being costed/considered.
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- Car Parking Balanced budget, however a one off £0.300m contribution to the savings target has been added to the budget in 2019/20, to alleviate the pressure until a permanent solution has been found

4.6 ART GALLERY & MUSEUM

4.6.1 There is a forecast net overspend of £0.088m due to the Museum Development income budget of £0.088m from prior years continuing to be unachievable.

4.7 NON-SERVICE SPECIFIC

4.7.1 There is a forecast net underspend of **£3.405m.** This relates primarily to additional forecast dividend receipts from Manchester Airport of -£0.500m and forecast reduced need for provisions of £2.800m.

5.0 CLINICAL COMMISSIONING GROUP (CCG)

5.1. At month 5 the CCG is reporting a balanced plan position. Within this is an overspend in acute services of £2.3m offset by underspends in other areas. There is a high level

of risk underlying this position, key risks being non-delivery of QIPP, acute over performance, the sustainability of key providers of both acute and mental health services and success of locality transformation.

Summary Financial Performance for the Period Ending 31st August 2019

Financial Performance	£000's					
Area	**YTD Budget**	**YTD Actual**	**YTD Variance**	**Annual Budget**	**FOT**	**FOT Variance**
Allocations	**(132,478)**	**(132,478)**	**0**	**(306,855)**	**(306,855)**	**0**
Acute Services	68,267	69,801	1,534	162,562	164,903	2,340
Community Health Services	12,776	12,848	72	30,615	30,717	102
Continuing Care Services	5,524	5,726	203	13,628	13,981	353
Mental Health Services	12,448	11,987	(461)	30,221	30,162	(59)
Other Programme Services	3,816	3,832	16	6,212	6,662	450
Primary Care Services	15,258	15,478	220	37,816	37,897	82
Primary Care Co-commissioning	11,179	11,021	(159)	27,218	27,218	0
Programme Costs	**129,268**	**130,693**	**1,425**	**308,272**	**311,540**	**3,268**
Running Cost	1,785	1,785	0	4,303	4,303	0
Total Costs	**131,053**	**132,478**	**1,425**	**312,575**	**315,843**	**3,268**
Reserves	1,425	0	(1,425)	(5,720)	(8,988)	(3,268)
(Surplus)/Deficit	**0**	**0**	**0**	**0**	**0**	**0**

Financial Performance 2019-20

5.1.1 The overall position for acute services expenditure at month 5 is a £1,534k overspend. Analysis indicates that this is driven by year to date overperformance in A&E attendances, emergency admissions and critical care at Pennine Acute (PAHT). Alongside this Elective Care is overperforming at both Pennine Acute and at Oaklands Hospital, with a rise of 19% (437) in patients waiting for planned operations since March 2018. There is a consistency of overspend across a number of areas, which has continued on an upward trajectory from Quarter 4 2018/19 with nothing to suggest this will change going forward.

5.1.2 The CCG is reporting a forecast underspend of £59k for Mental Health Services reflecting benefits from the 18/19 outturn position. Most of the budgets are covered by block arrangements, volatility being seen mainly in those budgets related to the cost of individual placements for patients with complex needs. The year to date underspend position relates to a reduction in Mental Health placements for complex cases but the uncertainty of this continuing is reflected in the forecast

5.1.3 Primary care services are expected to over perform by £82k this year which includes a forecast overspend of £277k in prescribing, which is offset by a number of smaller underspends in other areas.

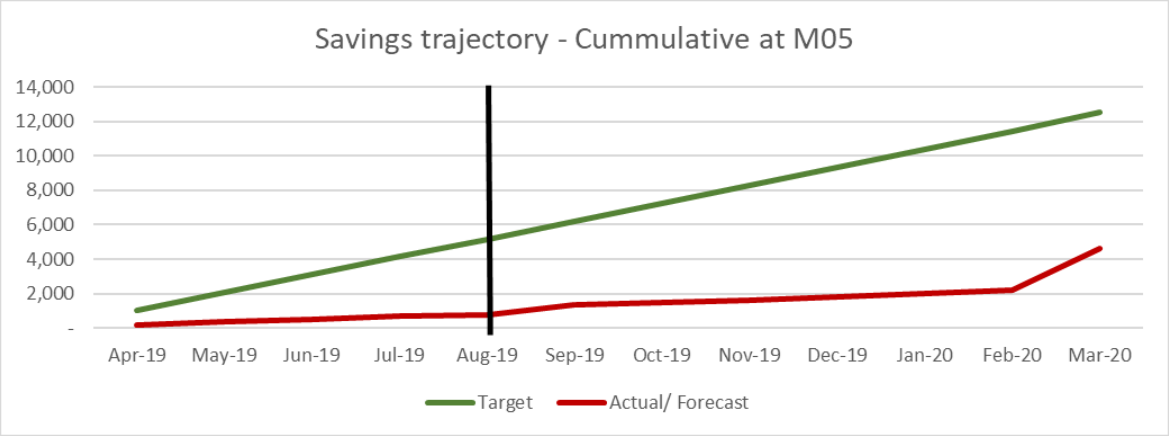
5.1.4 Community services are reporting a forecast overspend of £102k arising from AQP activity. Upon the completion of the transfer of community services from Pennine Care NHSFT to Salford Royal NHSFT there was a projected deficit of £900k, this is being monitored and reviewed and is not yet reflected within the financial position.

5.1. QIPP Delivery:

The table below summarizes the QIPP delivery against target at month 5 for the CCG. Unidentified target with high and medium risk schemes totals £10,143k. Options to support the delivery of the target non-recurrently are being explored.

	M05
Delivered	1,765
Low risk	592
Medium risk	1,390
High risk	855
Unidentified	7,898
	12,500

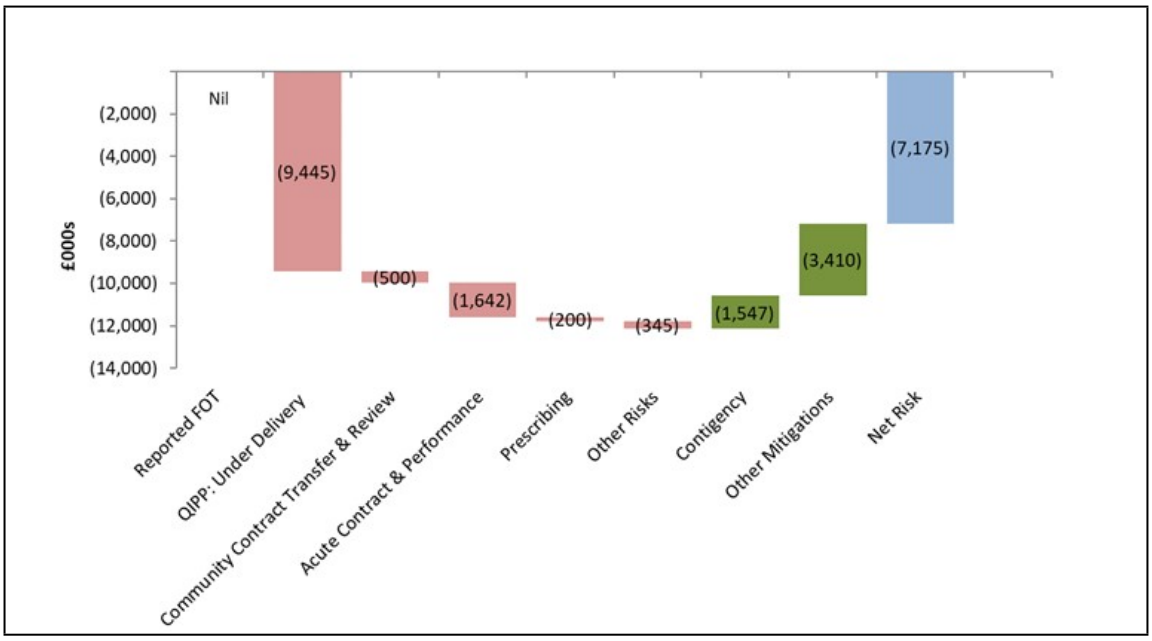
Table 1 - QIPP performance



5.2. Risk adjusted forecast outturn:

6. The risk adjusted forecast outturn as shown in the graph below is £7.2m. This is predominantly due to the net undelivered QIPP risk of £7.9m (£9.4m net of £1.5m contingency). Mitigations relate predominantly to possible underspends (reductions in the forecast outturn).

7. **Figure 1: Risk adjusted forecast outturn at month 5**



6.0 CAPITAL BUDGET

6.1.1 Capital Programme

The revised estimated budget for the Capital Programme 2019/20 at the end of August is shown in the table below:

,

2019/20	£m
Original Capital Programme	52.599
(Approved) Slippage from 2018/19	8.990
In year adjustments and contributions	(689)
Revised Capital Allocation at Mth5	60.900
Estimated re-profiled projects into 2020/21	(7.859)
Revised working budget for Year at Mth5	**53.041**

6.1.2 The expenditure and funding profile for the Capital Programme together with a detailed breakdown of the Original Approved Programme, the Revised Estimate, Forecast Outturn, Actual Spend up to end of Month 5, and the estimated under/over-spend of the capital programme for 2019/20 is shown in Appendix A.

6.1.3 Members should note that given the complexity and size of some of the larger schemes currently in the Council's Capital Programme the information received from budget holders can vary significantly from one quarterly report to the next and should be read in this context.

6.1.4 At the end of month 5, a total of **£7.859m** of the 2019/20 budget has been identified for re-profiling into 2020/21.

6.2 Expenditure

6.2.1 The Forecast Outturn for the year at Month 5 is indicated to be **£46.2m** and Budget Managers have reported, after considering the development stages for a number of schemes in the programme, an expected outturn close to this amount by 31 March 2020.

6.2.2 Actual expenditure after accruals that was realised by the end of Month 5 totals **£7.525 m**.

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

- Highways Schemes £2.702m
- Children's, Young People and Culture £2.380m
- Corporate ICT - Digital Transformation £1.002m
- Housing Public Sector £0.487m
- Other £0.954m

6.3. Variances

6.3.1 Appendix A provides details of variances for each scheme based on the latest available information received from budget managers.

6.3.2 As at Month 5 there are several larger projects that are still awaiting decisions on the direction / profile of spending, such as:

- Place Shaping / Growth Programme (3.485m)
- GM Full Fibre Project (0.469m)
- Economic Development – Neighbourhood Working (0.470m)
- Better Care Fund/Disabled Facilities Grant (1.204m)

6.3.3 Several projects under the heading of 'Property-Other Development Schemes' are showing a projected overspend of 0.207m. The amount is not considered material in relation to the size of the programme and it is expected to reduce as schemes progress and funding details are finalised in year.

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

6.3.5 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 2019/20.

6.4.2 The principal source of funding for Capital schemes approved for the 2019/20 programme is represented by external resources and prudential borrowing.

6.4.3 In addition, slippage of £8.900m supported by a mixed balance of resources that were approved, received and not spent in the previous financial year were carried forward to support the current programme.

6.4.4 The position of the capital receipts and borrowing as at the end of Month 5 is reported below. The figures in the table show the total funding requirement for the revised estimated capital programme inclusive of potential slippage into 2020/21 and the expected Council resources to be used to finance the Programme.

2019/20 Use of Council Resources for Capital Investment	**£m**
Revised Capital Programme allocation for the year	60.900
Use of external funding and contributions	(37.278)
Balance of programme relying on Council resources	**23.622**
Use of Capital receipts and earmarked reserves	6.400
Use of Prudential Borrowing (2019/20 approved schemes)	13.282
Use of Prudential Borrowing (2018/19 schemes brought forward)	3.940
Total Council Resources used to support the Capital Budget for Year	**23.622**

6.5 **Capital Programme Monitoring**

6.5.1 The programme will continue to be monitored closely during the year by the Capital Programme Management Group (CPMG) and the Management Accountancy team with an aim to identify potential risks to delivery of schemes on cost and time. A review of the operational programme is underway and this will align schemes in the programme with the reporting timetable and target a slippage into 2020/21 of a maximum 10% of the working programme.

7.0 HOUSING REVENUE ACCOUNT

7.1 The Housing Revenue Account (HRA) relates to the operation of the Council's housing stock and can be viewed as a landlord account. It is required by statute to be accounted for separately within the General Fund and is therefore effectively ring-fenced.

7.2 The latest estimates show a projected surplus (working balance carried forward) of £1.040m at the end of 2019/20. The projected outturn shows a deficit balance of £0.579m. See Appendix B.

7.3 There are a number of variations that contribute to the projected outturn position but there is only one significant area where the variance exceeds 10% and £0.050m that has resulted in the projected deficit balance:

- Revenue contributions to capital – the contribution required to the costs of major works to the housing stock last year was significantly lower than the budget due to slippage on planned schemes; these resources are now required

in 2019/20 to complete the 2018/19 programme. The unspent resources in 2018/19 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 August was on average 1.06% which is better than the 1.1% 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 £0.011m over the original budget; the projections of rental income in Appendix B have been calculated on this basis.

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

Arrears:

The rent arrears at the end of August totalled £1.754m, an increase of 5.9% since the end of March. Of the total arrears £0.734m relates to former tenants and £1.021m relates to current tenants. An estimated £0.640m 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 August, projected for the full year, this provision would require an additional contribution of £0.261m to be made.

The 2019/20 HRA estimates allow for additional contributions to the provision totalling £0.478m, £0.186m for uncollectable debts and £0.292m to reflect the potential impact that welfare benefit changes could have on the level of rent arrears. Therefore there is a potential underspend of £0.101m. 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 £0.026m to £0.075m.

This has resulted in an increase in the number of applications and ultimately sales. There were 71 sales in 2017/18, however this reduced to 55 sales last year.

The forecast for 2019/20 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 £82,800.

From 26th May 2015 the qualifying period for Right to Buy was reduced from 5 years to 3 years.

The number of sales has a direct effect on the resources available to the HRA – the average full year rent loss for each dwelling sold is around £3,700.

There have been 17 sales in the period April to August. This is 2 less than at this point last year. However the number of applications currently proceeding is higher than at this point last year (102 compared to 82). On this information the forecast has been kept at 60 and will be reviewed again at the end of quarter 3; the projections of rental income in Appendix B have been calculated on this basis.

7.5 The Welfare Reform and Work Act requires a 1% reduction in social housing rents for 4 years from 2016/17 which has a significant impact on future HRA resources; it has been announced that following this period there will be a return to the previous rent policy i.e. increases of Consumer Price Inflation (CPI) plus 1% 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 2019/20 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 2019/20 (approved by Council on 20 February 2019) with the revised projections as at 31 August, 2019. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first five months of 2019/20.

9.0 TREASURY MANAGEMENT

9.1 Investments:

9.1.1 At the 31st August 2019 the Council's investments totalled £8.3 million and comprised:-

Type of Investment	**£ Million**
Call Investments (Cash equivalents)	8.3
Fixed Investments (Short term investments)	0.0
Total	**8.3**

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 5 months of 2019/20.

9.1.3 The Council has earned the following return on investments:

1st April to 30th June 2019 0.66%
1st July to 31st August 2019 0.67%

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 2019/20, of 0.57%.

9.2 Borrowing:

9.2.1 New external borrowing has been undertaken in August 2019. A PWLB loan for £5 million has been taken over 10 years at a rate of 1.23%, and a short term loan (repayable in August 2020) for £3 million at a rate of 0.87%. Both of these loans have been taken to refinance maturing debt.

9.2.2 At 31st August 2019 the Council's debts totalled £192.904 million and comprised:-

		31 August 2019		
		Principal		Avg.
		£000	£000	Rate
Fixed rate funding				
	PWLB Bury	134,073		
	PWLB Airport	11,828		
	Market Bury	44,000	189,901	
Variable rate funding				
	PWLB Bury	0		
	Market Bury	0	0	
Temporary Loans / Bonds		3,003	3,003	
Total Debt			**192,904**	**3.95%**

9.2.3 The overall strategy for 2019/20 is to finance capital expenditure by running down cash/investment balances and taking shorter term borrowing rather than more expensive longer-term loans. This strategy is currently under review. 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 2019/20, then savings will be made by running down investments and taking shorter term loans rather than more expensive long-term borrowing.

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

10.0 MINIMUM LEVEL OF BALANCES

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

	£m
General Fund Balance 31 March 2019 per Accounts	**7.703**
Less : Minimum balances to be retained in 2019/20 Less : Forecast overspend at Month 5	(4.250) (467)
Forecast Available Balances at 31 March 2020	**2.986**

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 2019/20 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, 2019/20 held by the Joint Chief Finance Officer, Bury Council and Bury CCG.

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