

# REPORT FOR DECISION

Agenda

Item

<b>MEETING:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>11 FEBRUARY 2020 OVERVIEW AND SCRUTINY 26 FEBRUARY 2020 CABINET 26 FEBRUARY 2020 FULL COUNCIL</b>
<b>SUBJECT:</b>	<b>FINANCIAL MONITORING AS AT THE END OF DECEMBER 2019</b>
<b>REPORT FROM:</b>	<b>CABINET MEMBER FOR FINANCE AND HOUSING</b>
<b>CONTACT OFFICER:</b>	<b>MIKE WOODHEAD, JOINT CHIEF FINANCIAL OFFICER</b>
<b>TYPE OF DECISION:</b>	<b>COUNCIL</b>
<b>FREEDOM OF INFORMATION/STATUS:</b>	This paper is within the public domain
<b>SUMMARY:</b>	This report outlines the forecast financial position of the council at the end of 2019/20 based on the information known at the end of the third quarter. The report sets out the position for both revenue and capital and

	provides an analysis of the variances, both under and overspending.
<b>OPTIONS &amp; RECOMMENDED OPTION</b>	<p>Cabinet is asked to:</p> <ul style="list-style-type: none"> <li>• Note the forecast underspend of £0.657m on the council's revenue budget, the forecast increase in the cumulative Dedicated Schools Grant deficit to £18m and potential risks of up to £8.3m in the CCG budget;</li> <li>• Note the in-year surplus on the council tax and business rates collection fund of £8.9m and that this, together with the cumulative surplus from previous years of £8.2m, will be considered as part of the council's budget setting process for 2020/21;</li> <li>• Approve the drawdown of earmarked reserves of £2.8m which are in addition to the use of reserves that were planned as part of the 2019/20 budget;</li> <li>• Note the forecast improvement in the council's general reserves;</li> <li>• Note the under achievement of some savings targets and that these will be considered as part of the 2020/21 budget setting process.</li> <li>• Approve the carry forward of the underspend on the capital programme of £20.384m into the 2020/21 and future years capital programme and the changes to the cost and funding of the schemes as set out in the report;</li> <li>• Note the planned development of a reserves strategy, an update and refresh of the capital strategy and the development of capital gateway processes during 2020/21 and that these will be brought to Cabinet for approval.</li> </ul>
<b>IMPLICATIONS:</b>	
<b>Corporate Aims/Policy Framework:</b>	The proposals accord with the Policy Framework
<b>Statement by Section 151 Officer:</b>	Financial and risk implications are detailed in the report.
<b>Equality/Diversity implications:</b>	No

<b>Considered by Monitoring Officer:</b>	Yes
<b>Are there any legal implications?</b>	No
<b>Staffing/ICT/Property:</b>	No
<b>Wards Affected:</b>	All
<b>Scrutiny Interest:</b>	Overview and Scrutiny Committee

**TRACKING/PROCESS**

**DIRECTOR:**

**MIKE WOODHEAD**

Joint Executive Team	Cabinet Member/Chair	Ward Members	Partners
	Yes		
Scrutiny Committee	Cabinet	Committee	Council
11 February 2020	26 February 2020		26 February 2020

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## **FINANCIAL MONITORING AS AT THE END OF DECEMBER 2019**

### **1 PURPOSE OF THE REPORT**

- 1.1 This report outlines the forecast financial position of the council at the end of 2019/20 based on the information known at the end of the third quarter. The report sets out the position for both revenue and capital and provides an analysis of the variances, both under and overspending.

### **2 SUMMARY**

- 2.1 The council is projecting a small underspend of £0.657m by the end of the current financial year. Within the forecast there are a number of risks, particularly where savings targets have not been achieved, as well as budgets that are supported by the one-off use of reserves. The overall position is however being offset by one-off underspends and additional income. This position is not sustainable in the long term and is currently being considered as part of the development of the 2020/21 budget strategy.
- 2.2 The collection fund is showing an in year surplus of £8.9m. The funding, together with the surplus carried forward of £8.2m, is one-off and will be considered as part of the budget setting process. Some of the surplus will be distributed to the Greater Manchester Combined Authority (£1.426m) as their share in the fund.
- 2.3 The overall position in general reserves is forecast to improve based on the latest forecast. Other pressures and opportunities on reserves exist, including the deficit on the Dedicated Schools Grant reserve, and are being monitored and managed as part of the overall financial position.
- 2.4 The CCG is reporting a balanced plan position however there is a high level of risk to this delivery with £8.3m of the gap still unidentified. Work is underway to manage the risk including potential implementation of differential contribution rates across 2019/20 and 2020/21 in the section 75 Pooled Budget between the Council and the CCG. The CCG Governing Body is accountable for the CCG budget however given the importance of the CCG and the council working together to secure best value for resources, a summary of the financial position is included for information purposes.
- 2.5 The capital programme is progressing with some schemes slipping into future years. New capital gateway processes, which will be introduced in the new financial year, will provide greater oversight of the programme and will consider capacity requirements to reduce the amount of schemes being carried forward in future years. The carry forward of schemes will be considered as part of the development of the capital programme for 2020/21.

### **3 FINANCIAL OVERVIEW - REVENUE**

- 3.1 The forecast out turn position is set out in Table 1 below and shows a forecast underspend of £0.657m, representing 0.47% of the council's net revenue budget. This is an improvement on the previously reported position of a projected overspend of £0.467m at the end of August 2019.

**Table 1**

<b>2019/20 Forecast Revenue Out Turn Position – as at 31 December 2019</b>			
<b>Directorate</b>	<b>Approved Budget</b>	<b>Forecast Out Turn</b>	<b>Forecast (Under)/Over Spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Communities and Wellbeing	70.300	72.0050	1.750
Children, Young People and Culture	41.567	43.447	1.880
Operations	12.916	12.785	(0.131)
Resources and Regulation	7.661	8.530	0.870
Business, Growth and Infrastructure	(0.759)	0.326	1.085
Art Gallery and Museum	0.565	0.641	0.076
Housing General Fund	0.033	0.183	0.150
Non-Service Specific	6.579	0.243	(6.336)
<b>TOTAL</b>	<b>138.862</b>	<b>138.205</b>	<b>(0.657)</b>

3.2 Trends that have emerged throughout the year have been reflected in the forecast out turn however there may be changes in the final position should trends change or new issues emerge. Overall the council is forecasting an underspend however within this there are a number of services that are overspending, many of these relating to the non-delivery of savings targets that formed part of the 2019/20 budget. Details on individual services are set out in the next section of the report and a full analysis of savings targets and progress against these is set out at Appendix 1.

### **Communities and Wellbeing Directorate – Forecast Overspend £1.750m**

**Table 2**

<b>2019/20 Forecast Revenue Out Turn Position – as at 31 December 2019</b>			
<b>Communities and Wellbeing Directorate</b>	<b>Approved Budget</b>	<b>Forecast Out Turn</b>	<b>Forecast (Under)/Over Spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Housing Related Services	0.907	0.801	(0.097)
Care in the Community	31.136	32.723	1.587
Commissioning – Other Services	16.536	16.416	(0.120)
Finance, Customer Services and Asset Management	1.234	1.107	(0.127)
Adult Social Care Operations	7.086	6.360	(0.726)
Public Health	10.026	10.026	0.000
Workforce Modernisation and Adult Education	0.258	0.277	0.019
Civic Venues	0.254	0.570	0.316
Environment	0.527	0.939	0.403
Communities	1.024	0.971	(0.053)
Parks and Countryside	0.230	0.189	(0.041)
Sport and Leisure	1.083	1.673	0.590
<b>TOTAL</b>	<b>70.300</b>	<b>72.050</b>	<b>1.750</b>

3.3 The Communities and Wellbeing Directorate is forecasting an overspend of £1.750m of which £2.410m relates to planned savings that have not been delivered.

- 3.4 Non achievement of savings is the main factor for the overspends in sport and leisure (£0.590m), environmental services (£0.403m), civic venues (£0.316m) and low cost care package reviews in the care in the community budget (£1.1m). Some of these are historic savings and have been carried forward from previous financial years. It should however be noted that the Directorate is on track to deliver £1.140m of its 2019/20 savings target in the current financial year. Other savings within the Better Care Fund pooled budget of £1.875m have also been achieved.
- 3.5 The Directorate is experiencing an increase in demand from clients transitioning for children's services (£0.255m), an increase in cost due to complex needs of clients and also one-off severance costs related to the service restructuring (£0.329m). These overspends are offset by underspends as a result of vacancies within the Operations Service (-£0.726m).
- 3.6 In addition to this, the Directorate is applying the use of earmarked reserves (£3.256m) of which £0.756m was agreed as part of the 2019/20 budget to phase the impact of savings. Without the use of the reserves, the overspend for the Directorate would be £5m although some of the reserves have been used to support one-off spend that will not be needed in future years.

### Children and Young People – Forecast Overspend £1.880m

**Table 3**

<b>2019/20 Forecast Revenue Out Turn Position – as at 31 December 2019</b>			
<b>Children and Young People Directorate</b>	<b>Approved Budget</b>	<b>Forecast Out Turn</b>	<b>Forecast (Under)/Over Spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Learning – Non Schools	6.264	6.108	(0.156)
Early Help and School Readiness	0.980	0.842	(0.139)
Social Care and Safeguarding	23.253	24.271	1.019
Other Management Costs	0.746	2.581	1.835
Strategy/Commissioning	1.880	1.051	(0.829)
Departmental Wide	6.881	6.881	0.000
Libraries	1.563	1.713	0.150
<b>TOTAL</b>	<b>41.567</b>	<b>43.447</b>	<b>1.880</b>

- 3.7 The Children, Young People and Culture Directorate is forecasting an overspend of £1.880m of which £1.835m relates to the planned savings that will not be delivered. Elsewhere within the Directorate there are cost pressures as follows:
- **Safeguarding and Young People's Service** The forecast overspend of £0.273m is due to increased use of agency staff to cover vacant posts (0.145m), increased building costs at Higher Lane (£0.128m) and higher than anticipated external legal fees (£0.097m) offset by underspends in the initial response team and the Victoria Family Centre due to difficulties in recruitment (-£0.090m).
  - **Children Looked After** The forecast overspend of £0.910m is due to increased placements and complexity of cases in residential care (£0.452m) and independent foster agency placements (£0.417m). Higher than anticipated adoption placement fees (£0.067m) due to the need to make placements outside

of the regional adoption agency have been incurred and an increase in the number of children being placed in supported lodgings is creating further pressure on the service (£0.042m). These overspends are offset by an underspend resulting from vacancies (-£0.068m);

- **Libraries** The forecast overspend of £0.150m is largely due to increased running costs.

3.8 These overspends are offset by underspends as a result of staff vacancies in the educational psychology service and the schools transport service (-£0.156m) and additional grant funding received during the year from GM Innovations to support the implementation of the Early Help Stockport Families Model (£0.139m) and the Social Care Support Grant to reduce pressures on budgets for looked after children (-£0.829m).

### Operations Directorate – Forecast Underspend £0.131m

**Table 4**

<b>2019/20 Forecast Revenue Out Turn Position – as at 31 December 2019</b>			
<b>Operations Directorate</b>	<b>Approved Budget</b>	<b>Forecast Out Turn</b>	<b>Forecast (Under)/Over Spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Grounds Maintenance	1.690	1.660	(0.030)
Engineers	5.112	5.074	(0.037)
Winter Maintenance	0.271	0.347	0.076
Transport and Workshop	0.448	0.302	(0.146)
Waste Management/Street Cleansing	5.396	5.401	0.006
<b>TOTAL</b>	<b>12.916</b>	<b>12.785</b>	<b>(0.131)</b>

3.9 The Operations Directorate is forecasting an underspend of £0.131m, the main reasons for which are savings on lease contracts that have come to an end in the transport service offset by additional training costs in the winter maintenance service.

### Resources and Regulation Directorate – Overspend £0.870m

**Table 5**

<b>2019/20 Forecast Revenue Out Turn Position – as at 31 December 2019</b>			
<b>Resources and Regulation Directorate</b>	<b>Approved Budget</b>	<b>Forecast Out Turn</b>	<b>Forecast (Under)/Over Spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Operational Services	(0.597)	(0.552)	0.045
Central Support Services	8.139	9.025	0.886
Trading Services	0.118	0.057	(0.062)
<b>TOTAL</b>	<b>7.661</b>	<b>8.530</b>	<b>0.870</b>

3.10 The Resources and Regulation Directorate is forecasting an overspend of £0.870m. The forecast out turn includes a contribution from reserves (£0.452m) to support some one-off cost for posts within the Customer Support and Collections team, cost of elections and to support some ICT developments. There are also a number of one off costs relating to exit payments that will support the delivery of savings in future years. The main variances for the directorate are:

- **Finance** The forecast overspend of £0.482m is largely due to delayed achievement of savings in relation to insurance and a finance restructure (£0.300m), payment of one-off exit costs (£0.133m) and overspends on staffing (£0.085m) offset by some underspends across the service. Within the forecast position, reserves of £0.3m have been used to offset the non-delivery of a saving in the revenue and benefits service without which the forecast overspend would be £0.782m;
- **Human Resources/Corporate People** The forecast overspend of £0.130m is due to the payment of one-off exit costs (£0.416m) and higher than budget costs on apprenticeships (£0.135m) offset by savings achieved from the recent restructure (-£0.200m);
- **Legal and Democratic** The forecast overspend of £0.200m is due to additional costs from the recent elections (£0.274m) some which will be offset by a compensatory grant to be received in the next financial year, additional staffing costs (£0.044m) offset by savings in Members Allowances (-£0.088m) and additional income for Registrar of Births, Deaths and Marriages (-£0.030m);
- **Trading Services** The forecast underspend of £0.062m due to additional income for the cleaning service (£0.187m) offset by overspends in the Catering Services (£0.121m) due to increase in food prices and salaries in salaries and reduced levels of income.

### Business, Growth and Infrastructure – Forecast Overspend £1.085m

**Table 6**

2019/20 Forecast Revenue Out Turn Position – as at 31 December 2019			
Business, Growth and Infrastructure Directorate	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Business Growth Management Team	0.726	1.175	0.449
Regeneration	0.108	0.143	0.035
Planning and Development Control	0.596	0.549	(0.047)
Property Management and Admin Buildings	(2.405)	(1.963)	0.442
Strategic Housing	0.495	0.377	(0.118)
Architects	(0.279)	0.046	0.325
<b>TOTAL</b>	<b>(0.759)</b>	<b>0.326</b>	<b>1.085</b>



3.11 The Business, Growth and Infrastructure Directorate is forecasting an overspend of £1.085m of which £0.050m is due to the non-delivery of savings. The forecast out turn includes a contribution from reserves (£0.493m) to support some management costs within the service and some growth projects without which forecast overspend would be £1.578m. The main variances for the directorate are:

- **Business Growth Management** The forecast overspend of £0.449m is due to additional costs 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** The forecast overspend of £0.035m is due to unachieved savings targets (£0.050m) offset by salary savings (-£0.015m);
- **Property Management and Admin Buildings** The forecast overspend of £0.442m is due to an overspend in Admin Buildings for urgent compliance work in respect of roofing, electrics required for the Town Hall and higher than anticipated running costs (£0.354m), additional building costs on the markets (£0.070m);
- **Strategic Housing** The forecast underspend of £0.118m is due to increases in income and salary savings in Urban Renewal (-£0.111m) as well as additional income from home improvements (-£0.007m).

#### Art Gallery and Museum – Forecast Overspend £0.076m

Table 7

2019/20 Forecast Revenue Out Turn Position – as at 31 December 2019			
Art Gallery and Museum	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Art Gallery and Museum	0.565	0.641	0.076
<b>TOTAL</b>	<b>0.565</b>	<b>0.641</b>	<b>0.076</b>

3.12 The Art Gallery and Museum is forecast to overspend by £0.076m due to under recovery of income offset by some savings due to staff vacancies.

#### Housing General Fund – Forecast Overspend £0.150m

Table 8

2019/20 Forecast Revenue Out Turn Position – as at 31 December 2019			
Housing General Fund	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Housing General Fund	0.033	0.183	0.150
<b>TOTAL</b>	<b>0.033</b>	<b>0.183</b>	<b>0.150</b>

3.13 The Housing General Fund is forecast to overspend by £0.150m based on current caseloads and claims.

## Non Service Specific – Forecast Underspend £6.336m

**Table 9**

<b>2019/20 Forecast Revenue Out Turn Position – as at 31 December 2019</b>			
<b>Non Service Specific</b>	<b>Approved Budget</b>	<b>Forecast Out Turn</b>	<b>Forecast (Under)/Over Spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Passenger Transport Levy	13.264	12.801	(0.464)
Environment Agency	0.100	0.100	0.000
Manchester Airport	(5.635)	(6.135)	(0.500)
Provisions/Reserves	0.502	(1.948)	(2.450)
Capital Charges	(6.103)	(6.103)	0.000
Cost of Borrowing	3.978	3.507	(0.471)
FRS17 Costs	(12.542)	(12.542)	0.000
Non Service Specific Grants	(3.768)	(3.768)	0.000
Disaster Expenses	0.011	0.023	0.012
Accumulated Absences	(0.530)	(0.530)	0.000
Townside Fields	0.000	(0.060)	(0.060)
Corporate Management	2.584	2.584	0.000
Chief Executive's Office	0.456	0.422	(0.034)
Reprofiled Savings	0.000	0.000	0.000
GMWDA Levy	14.211	11.862	(2.349)
Car Lease Salary Sacrifice	0.000	(0.020)	(0.020)
Poverty Strategy	0.050	0.050	0.000
<b>TOTAL</b>	<b>6.579</b>	<b>0.243</b>	<b>(6.336)</b>

3.14 The Non Specific Service budget is forecasting an underspend of £6.336m due to:

- Passenger Transport Levy – agreement was reached with the Greater Manchester Combined Authority to reduce passenger levies across Greater Manchester Authorities;
- Manchester airport – higher than budgeted dividends from the council's shareholding in Manchester airport (£0.500m);
- Lower than budget contribution to non-service specific reserves (-£2.450m);
- Reduced costs of borrowing due to loans not being taken out in line with expectations (-£0.471m) largely due to slippage in the capital programme;
- GMWDA levy – agreement was reached with the Greater Manchester Combined Authority to reduce waste levies across Greater Manchester Authorities.

3.15 Some of the underspends are considered to be recurring and will be adjusted as part of the 2020/21 budget setting process.

## **4 Delivery of the Savings Plan**

4.1 Planned savings of £8.008m are included in the 2019/20 revenue budget. The majority of Directorates are forecasting that they will not be able to meet their 2019/20 savings target with the overall shortfall expected to be £4.181m. These shortfalls are reflected in the monitoring position set out in the report and whilst they do not impact any further on the monitoring position, it is important that there remains a focus on savings targets and whether these remain

achievable. This is particularly important when considering the impact in future years and ensuring the council has a sustainable and robust financial strategy going forward. It is anticipated that a further £0.586m can be delivered in 2020/21 and this leaves a remaining pressure in that year of £3.595m that will need to be addressed and this will be considered as part of the 2020/21 budget setting process.

- 4.2 To assist in this assessment, the council has obtained external advice in validating the current savings targets, as well as those that have been carried forward from previous years, and in assessing their deliverability in the current and future years. Adding back any savings that cannot be delivered will increase the budget gap in future years but will ensure that whatever plans come forward have a solid foundation and can be delivered. A full analysis is set out at Appendix 1.
- 4.3 The forecast position includes budgeted exit costs of c£1.6m that have been incurred in the current financial year and will reduce costs in future years that will contribute to the savings targets. Where staff have left the council during the year, a part year saving has been achieved and a full year saving will be achieved from 2020/21 onwards.

## **5 Reserves**

- 5.1 At the end of 2018/19 the council's useable reserves were £32.551m and Council agreed that £5m would be drawn down and applied to support the budget. Taking into account the use of reserves as set out in the report, the reserves at the end of 2019/20 are forecast to be £25.051m. Of the reserves, £18m are held for specific purposes and cannot be used to support the budget generally. The remaining reserves are held to manage known financial risks, to cash-flow timing differences between when spend is incurred and savings delivered or for specific investment in projects.
- 5.2 The position on reserves is monitored on an ongoing basis and, in response to the level of general reserves being at historically low levels, the council has made a commitment to increase general reserves as much as possible to improve the overall financial resilience of the council. This will be a key consideration of the budget strategy for 2020/21. As it stands, general reserves will not be reducing below the forecast position and should increase by the end of the financial year – in doing so improving the council's overall financial resilience.
- 5.3 A review of the council's reserves strategy and approach will be developed as part of the 2019/20 closure process and will be presented to Cabinet for consideration early in the 2019/20 financial year.

## **6 OTHER BUDGETS**

### **Schools**

- 6.1 The council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG). The DSG is ringfenced and can only be spent on schools related activity as set out in the Schools Finance (England) Regulations 2017. The Schools Budget includes funding for a range of educational and support services provided on an authority wide basis as well as individual Schools

Budget. The Schools Forum oversee the allocation of funding to schools and the application of the funding formula.

6.2 The DSG has 4 main blocks:

<b>Block</b>	<b>2019/20 Budget</b>
	<b>£m</b>
Schools	122.104
High Needs	30.542
Early Years	13.532
Central Support Services	0.772
<b>TOTAL</b>	<b>166.950</b>

6.3 At the end of 2018/19 there was a deficit on the Dedicated Schools Grant (DSG) of £14.7m and this is forecast to increase to £18m by the end of the current financial year. This is a significant risk to the council and one which needs to be kept under careful review as any deficit on the DSG reserve is currently offset by the council's general and earmarked reserves. The DfE has just issued the outcome of its recent consultation reserves and the current arrangement are coming to an end with DSG deficits required to be offset against future DSG income or against school balances from 2020/21. The new legislation is currently being reviewed and further updates will be available shortly.

6.4 The Department for Educating (DfE) requires all councils to complete a recovery plan should their overspend on the DSG exceed 2%. The council has an agreed recovery plan that was agreed by the Schools Forum and the DfE and this will now be formally incorporated in the council's monitoring reports from now on. The impact of the new legislation will be assessed in relation to the recovery plan and this will be reported to Cabinet in the next monitoring report, following consultation with the Schools Forum.

6.5 The main overspend relates to planned investment in in-borough capacity and sufficiency to address both the DSG deficit recovery and to ensure the requirements of the Ofsted area inspection on SEND are delivered as well as increased demand in the following areas:

- Inclusion Partnerships (£0.2m)
- Inclusion SEMH Hubs (£0.1m)
- SEND EHCP top up funding to all mainstream schools and academies to comply with statutory finance and SEND requirements (£1.6m)
- Increased numbers of Education and Health Care Plans (£0.8m)
- Increased capacity at Bury's special school provision (£0.5m)
- Increased targeted support to children through multi disciplinary teams

6.6 In accordance to the agreed recovery and profiled into the 5 year plan, the current investment is expected to reduce the number of high-cost SEND placements out of borough by stemming the flow and having more in borough placements. The 5 year timeline is required in order to ensure the sufficiency and capacity of places can be developed and delivered.

6.7 Further actions to reduce DSG costs will be implemented from 2020/21 to ensure the DSG is sustainable and that the deficit reduces over time to a balanced position. Increased funding for high needs and for schools in 2020/21

was announced as part of the Local Government finance settlement which will help reduce the deficit position.

## Collection Fund

6.8 The tables below show the forecast outturn position for the collection fund and the share of balances of the forecast position.

**Table 11**

<b>Forecast Position on the Collection Fund</b>			
	<b>Council Tax</b>	<b>Business Rates</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Balance Brought Forward	<b>(4.051)</b>	<b>(4.229)</b>	<b>(8.280)</b>
(Surplus)/Deficit for the year	<b>(4.861)</b>	<b>(4.093)</b>	<b>(8.954)</b>
<b>Balance Carried Forward</b>	<b>(8.912)</b>	<b>(8.322)</b>	<b>(17.234)</b>
<b><i>Distributed:</i></b>			
Bury Council	<b>7.569</b>	<b>8.239</b>	<b>15.808</b>
GMCA – Police and Crime Commissioner	<b>0.968</b>	<b>0.000</b>	<b>0.968</b>
GMCA – Fire and Rescue Service	<b>0.375</b>	<b>0.083</b>	<b>0.458</b>
<b>Total</b>	<b>8.912</b>	<b>8.322</b>	<b>17.234</b>

6.9 The increasing prominence of council tax and business rates in helping fund council services means that the collection fund is monitored on an ongoing basis. A forecast in year surplus of £8.954m means that the projected year end collection fund position (council tax and business rates) is a projected surplus of £17.234m of which the council's share is £15.808m and the Greater Manchester Combined Authority's share is £1.426m (for police and fire and rescue services). The total surplus includes a cumulative balance that has been brought forward from previous years of £8.2m. How the surplus can be utilised will be subject to decisions made as part of the 2020/21 budget setting process.

6.10 The Greater Manchester Combined Authority area continues to pilot 100% business rates retention. The pilot was first implemented on 1 April 2017. The purpose of the pilot is to develop and trial approaches to manage risk and reward in a local government finance system that includes full devolution of business rates revenues. Whilst the pilot is in place, a no detriment policy is in operation under which the government guarantees that the level of business rates income/grant that a council receives can be no less than it would have been if it was not in the pilot area. The council has so far gained from being a member of pilot scheme.

## HOUSING REVENUE ACCOUNT

6.11 The Housing Revenue Account (HRA) is forecasting a surplus of £0.144m and further information is set out in the table 12 below.

**Table 12**

<b>2019/20 Forecast Revenue Out Turn Position – as at 31 December 2019</b>			
<b>Housing Revenue Account</b>	<b>Approved Budget</b>	<b>Forecast Out Turn</b>	<b>Forecast (Under)/Over Spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Income</b>			
Dwelling Rents	(29.372)	(29.158)	0.214
Non-Dwelling Rents	(0.195)	(0.193)	0.002
Other Charges	(1.003)	(1.020)	(0.017)
<b>Total Income</b>	<b>(30.570)</b>	<b>(30.371)</b>	<b>0.199</b>
)			
<b>Expenditure</b>			
Repairs and Maintenance	6.898	0.031	(0.002)
General Management	7.339	7.344	0.005
Special Services	1.325	1.335	0.010
Rents, Rates and Other Charges	0.050	0.058	0.008
Increase in Bad Debts Provision	0.477	0.471	(0.006)
Capital Charge	4.849	4.626	(0.223)
Depreciation	7.944	8.419	0.475
Debt Management Expenses	0.041	0.041	0.000
Contribution to/(from) reserves	(0.505)	(0.505)	0.000
<b>Total Expenditure</b>	<b>28.418</b>	<b>25.865</b>	<b>0.267</b>
<b>Net Cost of Services</b>	<b>(15.531)</b>	<b>(15.065)</b>	<b>0.466</b>
Interest receivable	(0.027)	(0.066)	(0.039)
Principal Repayments	0.177	0.177	0.000
Revenue Contributions to Capital	1.992	1.421	(0.571)
<b>Sub Total</b>	<b>2.140</b>	<b>1.532</b>	<b>(0.610)</b>
<b>Operating (Surplus)/Deficit</b>	<b>(13.389)</b>	<b>(13.533)</b>	<b>(0.144)</b>

6.12 The main reasons for the forecast surplus are:

- **Revenue contributions to capital** – Slippage on the capital programme has resulted in lower than anticipated contributions to capital from revenue. Subject to Council approval it is anticipated that resources will be required in 2020/21 to complete the 2019/20 programme, therefore the underspend will only be held the Business Plan Headroom Reserve on a temporary basis rather than being available for other purposes.
- **Dwelling Rents** Income on rents is £0.214m lower than anticipated and is due to a number of factors that have changed since the budget was set including: the number of properties moving to target rent during the year; changes in average rent values and the timing of new developments.

6.13 As well as looking at the in-year financial position, it is useful to consider some of the other aspects of performance regarding the Housing revenue Account:

- **Voids** The rent loss due to voids for April to December was on average 1.05% which is better than the 1.1% void target level set in the original budget. If this performance continues, there will be an increase in rental income of £0.014m over the original budget. Six Town Housing continue to review the voids processes and the various factors affecting demand;

- **Arrears** The rent arrears at the end of December totalled £1.874m, an increase of 13.1% since the end of March. Of the total arrears £0.802m relates to former tenants and £1.072m relates to current tenants. An estimated £0.623m 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;
- **Bad Debts** 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. The forecast increase in the bad debt provision is in line with assumptions made when the budget was set;
- **Right to Buy Sales** 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. There have been 38 sales in the period April to December. 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 (92 compared to 87). On this information the forecast has been kept at 60 with the projections of rental income being calculated on this basis.

## CLINICAL COMMISSIONING GROUP

6.14 The CCG is reporting a balanced plan position and this is set out in table 12 below. This position assumes full delivery of the CCG QIPP. There is a high level of risk to this delivery with £8.3m of the gap still unidentified.

**Table 13**

2019/20 Forecast Revenue Out Turn Position – as at 31 December 2019			
Clinical Commissioning Group	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Acute Services	163.824	166.753	2.930
Community Health Services	31.692	30.790	(0.902)
Continuing Care Services	14.385	14.561	0.176
Mental Health Services	30.923	30.124	(0.799)
Other Programme Services	8.188	8.337	0.149
Primary Care Services	38.909	39.275	0.366
Primary care Commissioning	27.218	27.218	0.000
Running Costs	4.303	4.303	0.000
Reserves	(6.278)	(8.197)	(1.920)
<b>TOTAL</b>	<b>313.164</b>	<b>313.164</b>	<b>0.000</b>

6.15 The main variances in the budget are as follows:

- **Acute Services** are forecast to overspend by £2.930m and is largely due to increased activity at Accident and Emergency Departments and an increase in Emergency admissions (£1.138m). In addition to this an increase in elective and day cases at Oaklands private hospital to reduce waiting lists is adding further pressure (£1.791m). A system wide review of urgent care is underway and it is anticipated that the outcome of this review will deliver savings in 2020/21 and future years;

- **Community Services** are forecast to underspend by £0.902m and reflects the release of £1m from the Better Care Fund that is managed through the S75 pooled budget arrangements;
- **Continuing Healthcare Care Service** is forecast to overspend by £0.176m and is due to the impact of increased non-elective activity at Pennine Acute Health Trust;
- **Mental Health Service** is forecast to underspend by £0.799m and reflects a reduction in the number of very high cost patients compared to 18/19. Within the mental health budget the CCG has set aside investment for mental health services in line with the Mental Health Investment Standard (MHIS). Spend continues to be monitored in line with NHSE requirements, the CCG currently forecast to achieve the standard in 19/20;
- **Primary Care and Primary Care Delegated Services** are forecast to overspend by £0.700m due to increased drug unit cost based on prescribing data to October. This is offset by underspends in primary medical service spend. The forecast outturn relies on increased delivery of prescribing QIPP in the second half of the year and further underspends in primary care medical services;
- **Other Programme Services** The budgets within other programme services include transformation funding, safeguarding, estates and NHS 111 and are forecast to overspend by £0.149m. This is due to unbudgeted non-recurrent expenditure;
- **Corporate Services and Reserves** are forecasting an underspend of £1.920m reflecting the forecast level of savings attributable to unidentified QIPP schemes.

## QIPP Delivery

6.16 The CCG's ability to achieve its financial plan for 2019/20 is reliant on the identification and delivery of schemes to meet the full QIPP target by the end of the year. Options to support the delivery of the target non-recurrently are being explored via the pooled budget arrangements with the Local Authority. An assessment of the deliverability of the schemes has been carried out and they are assessed as follows:

**Table 14**

<b>Assessment of Deliverability of 2019/20 QIPP Schemes</b>	
	<b>£m</b>
Schemes delivered	0.783
Low Risk Schemes	2.451
Medium Risk Schemes	0.517
High Risk Schemes	0.462
Schemes not yet identified	8.277
<b>TOTAL</b>	<b>12.500</b>

6.17 Work is underway to identify non-recurrent options that could be used to bridge the potential gap that could emerge by the end of the year if the current savings plans are not delivered. This includes potential implementation of differential contribution rates across 2019/20 and 2020/21 in the section 75 Pooled Budget between the Council and the CCG.

## 7 CAPITAL PROGRAMME

7.1 The Council's capital programme is set at £61.589m including schemes rolled forward from the 2018/19 financial year. New schemes totalling £5.300m are recommended to be added to the programme in year, all of which are fully



funded from external sources. The new schemes are set out below and, subject to approval, will increase the 2019/20 capital programme to £66.889m.

**Table 14**

<b>Revised 2019/20 Capital Programme</b>	
	<b>£m</b>
Original Capital Programme	52.599
Schemes Brought Forward from 2018/19	8.990
Fully Funded Schemes added in year	5.300
<b>Revised 2019/20 Capital Programme</b>	<b>66.889</b>

7.2 Full details on the Capital programme are set out in Appendix 2 and a summary of the key elements are as follows:

- **Carry Forward**

7.3 Expenditure on the capital programme is £18.723m which is lower than anticipated. A review of schemes has been undertaken and has identified a number of schemes, with a value of £20.384m, that are recommended to be carried forward into 2020/21. The schemes recommended for carry forward are:

- Children Services Projects where the schemes are funded mainly by grants from Department of Education (£9.388m)
- Disabled Facilities Grant (£0.855)
- Older People (£0.588m)
- Highways maintenance and flood repair/defence projects that are grant funded (£0.517m) (grant funded)
- Street Lighting (£5m)
- Bury market refurbishment (£0.900m)
- Corporate ICT schemes (£3.042m)

- **Projected Expenditure in Quarter 4**

7.4 As it stands, £25.377m is forecast to be spent in the last quarter of the year. Based on current spend to date, £18.723m, this is likely to be challenging and therefore further slippage and carry forward into the next financial year is likely.

### **Financing**

7.5 As well as approving the revised spending in the capital programme, the council must also ensure it has sufficient funds available to meet its capital payments in each financial year. The table below shows how the planned and forecast capital expenditure is to be financed.

**Table 15**

<b>Financing of the 2019/20 Capital Programme</b>	
	<b>£m</b>
Revised Capital Programme	66.889
Funded By:	
External Funding and Contributions	(37.130)
Use of Capital Receipts	(6.487)
Prudential Borrowing (2019/20 approved schemes)	(19.331)
Prudential Borrowing (2018/19 approved schemes)	(3.941)
<b>TOTAL</b>	<b>(66.889)</b>

- 7.6 The Capital Programme will continue to be monitored closely for the remainder of the year. New Capital Gateway processes are currently being developed for the 2020/21 financial year that will review new schemes against corporate priorities and the council's capital strategy and embed effective monitoring and reporting arrangements. It is envisaged that the new gateway process will ensure that:
- schemes are prioritised and presented to members for consideration at appropriate times during the year
  - schemes are a strategic fit with corporate priorities
  - adequate resources are identified at the start of the process to ensure sufficient capacity is available to deliver the projects within anticipated timescales
  - effective monitoring is carried out so that any slippage or delays can be considered and reported
  - effective project management practices are embedded for all projects
- 7.8 A review and update of the council's capital strategy is also planned and will be concluded during 2020/21 for consideration and approval by Cabinet and Full Council. This is particularly important in light of the work on the Bury2030 strategy and will ensure that the capital strategy is aligned to the future outcomes and objectives of the council.

### **Variances**

- 7.9 There are several larger projects that are still awaiting decisions on how they are to be progressed and this will affect the profiling of the budget. The full budget is contained within the 2019/20 capital programme but should be profiled over more than one financial year. This has increased the overall level of slippage. These are:
- Place Shaping / Growth Programme (3.485m)
  - GM Full Fibre Project (0.469m)
  - Economic Development – Neighbourhood Working (0.470m)
- 7.10 Several projects under the heading of 'Property-Other Development Schemes' are showing a projected overspend of 0.580m. 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.

## **8 FUTURE YEARS**

- 8.1 Effective financial planning is key to the sustainability and operation of all local authorities. The development of the council's medium term financial strategy shows that there is a significant financial challenge in future years.
- 8.2 Planning for future years will take account of the in-year monitoring position and also latest trends to ensure that realistic budgets are set and that there is full transparency on what needs to be delivered. The budgets are currently presented on the current structure. Plans are in place to ensure that the budgets can be presented and managed on the new Directorate structure from April 2020.

- 8.3 In future years it is anticipated that an outcomes based budgeting approach can be developed which would provide information on an outcomes footprint that may be useful to decision making going forward.

#### **Minimum Revenue Position Accounting Policy**

- 8.4 As part of the budget proposals to Full Council in February there will be a proposal to change the accounting policy for the Minimum Revenue Provision. Historically the council has taken a prudent approach and there is now an opportunity to benefit from this both in the current and future years. If approved, the accounting policy change will release a one-off saving of £2m in 2019/20 and an ongoing saving of £1m. This will improve further the 2019/20 position with the surplus recommended to be added to general reserves as part of the strategy to build in financial resilience. Discussions have been held with the external auditors who are comfortable with the proposed approach.

#### **Bus Reform**

- 8.5 The Greater Manchester Combined Authority has proposed a bus franchising scheme for the whole of Greater Manchester and is currently consulting on the proposals. Greater Manchester authorities may be required, subject to the outcome of the consultation, to make a one-off contribution to the scheme which for Bury is likely to be c£1.424m. A contribution to an earmarked reserve will be made as part of the accounts closure process which can be drawn down in 2020/21 if needed.

## Appendix 1

Analysis of Savings Targets 2019/20					
Description	2019/20 Target	2019/20 Saving Achieved	Saving Un-Deliverable in 2019/20	Further savings Achievable in 2020/21	Budget Pressure in Future Years
	£m	£m	£m	£m	£m
<b>Communities and Wellbeing</b>					
Public Health	0.890	0.890	0.000	0.000	0.000
Social Care review of lower cost packages/Medication visits through home care	1.400	0.250	1.150	0.000	1.150
<b>Sub Total</b>	<b>2.290</b>	<b>1.140</b>	<b>1.150</b>	<b>0.000</b>	<b>1.150</b>
<b>Children, Young People and Culture</b>					
Reduced Pension Liabilities	0.150	0.000	0.150	0.000	0.150
Business Support Functions	0.068	0.068	0.000	0.000	0.000
Traded Services Finance/HR	0.120	0.120	0.000	0.000	0.000
Early Years/Early Help Service Reviews/Transformation	2.221	0.753	1.468	0.376	1.092
Asset Management inc Libraries	0.090	0.000	0.090	0.090	0.000
Procurement Contract Reviews	0.150	0.030	0.120	0.120	0.000
<b>Sub Total</b>	<b>2.799</b>	<b>0.971</b>	<b>1.828</b>	<b>0.586</b>	<b>1.242</b>
<b>Operations</b>					
Highways Maintenance Activity Chargeable to Capital	0.600	0.600	0.000	0.000	0.000
Car Parking	0.200	0.200	0.000	0.000	0.000
<b>Sub Total</b>	<b>0.800</b>	<b>0.800</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

## Appendix 1

Analysis of Savings Targets 2019/20					
Description	2019/20 Target	2019/20 Saving Achieved	Saving Undeliverable	Further Savings Achievable in 2020/21	Budget Pressure In Future Years
	£m	£m	£m	£m	£m
<b>Resources and Regulation</b>					
Pay Services – Income Generation	0.050	0.020	0.030	0.000	0.030
Debt Collection	0.200	0.200	0.000	0.000	0.000
Insurances	0.100	0.000	0.100	0.000	0.100
In house legal work for insurance claims	0.200	0.062	0.138	0.000	0.138
Finance Restructure	0.200	0.100	0.100	0.000	0.100
Financial Assessments/Income Collection	0.300	0.000	0.300	0.000	0.300
Telephony Contract Savings	0.100	0.040	0.060	0.000	0.060
Reconfiguration of Security Service	0.150	0.013	0.137	0.000	0.137
Data Management/Storage Costs	0.200	0.200	0.000	0.000	0.000
Review of Discretionary Budgets	0.281	0.281	0.000	0.000	0.000
<b>Sub Total</b>	<b>1.781</b>	<b>0.916</b>	<b>0.865</b>	<b>0.000</b>	<b>0.865</b>
<b>Business, Growth and Infrastructure</b>					
Facilities Management Review	0.050	0.000	0.050	0.000	0.050
Office Accommodation Review	0.288	0.000	0.288	0.000	0.288
<b>Sub Total</b>	<b>0.338</b>	<b>0.000</b>	<b>0.338</b>	<b>0.000</b>	<b>0.338</b>
<b>TOTAL</b>	<b>8.008</b>	<b>3.827</b>	<b>4.181</b>	<b>0.586</b>	<b>3.595</b>

Appendix 2

	2019/20 Capital Programme					
	2019/20 Adjusted Budget	Slippage to be Carried forward	Revised Budget After Reprofiling	Spend to Month 9	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m	£m	£m	£m
Corporate ICT Projects	6.626	3.041	3.585	1.561	3.585	0.000
Improving Information Management	0.057	0.000	0.057	0.000	0.057	0.000
Older People	0.929	0.588	0.341	0.064	0.341	0.000
DFE – Devolved Formula Capital	1.706	0.327	1.379	0.788	1.378	0.000
NDS Modernisation	15.261	8.995	6.266	4.268	6.265	0.000
Access Initiative	-0.329	0.000	-0.329	0.000	0.000	0.000
Targeted Capital Funds	-0.080	0.000	-0.080	-0.119	0.000	0.080
Early Education Fund	2.996	0.000	2.996	2.996	2.996	0.000
Special Provision Grant	0.519	0.000	0.519	0.052	0.519	0.000
Radcliffe Library Refurbishment	0.000	0.000	0.000	0.108	0.000	0.000
Empty Property Strategy	0.376	0.000	0.376	0.103	0.376	0.000
Housing Development	1.168	0.000	1.168	-0.099	1.422	0.254
Disabled Facilities Grant	2.104	0.855	1.249	0.669	1.248	(0.001)
Radcliffe Regeneration Action Plan	0.478	0.000	0.478	0.192	0.478	0.000
Planning – Other Schemes	0.080	0.065	0.015	5.932	0.016	0.000
Refurbishment of Bury Market	1.000	0.900	0.100	0.048	0.000	0.000
Place Shaping/Growth Programme	3.485	0.000	3.485	0.000	3.485	0.000
Other Development Schemes	0.135	0.027	0.108	0.604	0.689	0.580
Property Investment	0.551	0.000	0.551	0.551	0.551	0.000
Property Management	0.000	0.000	0.000	0.000	0.085	0.085
GM Full Fibre Project	0.469	0.000	0.469	0.000	0.000	0.000
Neighbourhood Working	0.470	0.000	0.470	0.000	0.000	(0.470)
Flood Repair and Defence	2.624	0.000	2.624	0.535	2.624	0.000

2019/20 Capital Programme						
	2019/20 Adjusted Budget	Slippage to be Carried forward	Revised Budget After Reprofiling	Spend to Month 9	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m	£m	£m	£m
Parks	0.177	0.000	0.177	0.042	0.177	0.000
Environmental Works	0.174	0.067	0.107	0.021	0.107	0.000
3G Pitches	0.000	0.000	0.000	0.000	0.000	0.000
Street Lighting	5.601	5.000	0.601	0.312	0.601	0.000
Traffic Management Schemes	0.173	0.000	0.173	0.039	0.173	0.000
Public Rights of Way	0.085	0.000	0.085	0.027	0.085	0.000
Highways Planned Maintenance	9.887	0.000	9.887	5.095	9.877	(0.010)
Cycling and Walking Strategy	0.033	0.000	0.033	0.054	0.049	0.016
Bridges	0.067	0.000	0.067	0.101	0.101	0.033
Traffic Calming and Improvement	0.797	0.517	0.280	0.047	0.280	0.000
Waste Management	0.027	0.000	0.027	0.013	0.027	0.000
Civic Halls	0.000	0.000	0.000	0.042	0.000	0.000
Housing Programme (HRA) Major Works	11.755	0.000	11.755	3.483	9.386	(2.370)
<b>TOTAL</b>	<b>66.889</b>	<b>20.384</b>	<b>46.505</b>	<b>18.723</b>	<b>44.196</b>	<b>(2.308)</b>