

REPORT FOR DECISION



Agenda

Item

MEETING:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	11 FEBRUARY 2020 OVERVIEW AND SCRUTINY 26 FEBRUARY 2020 CABINET 26 FEBRUARY 2020 FULL COUNCIL
SUBJECT:	REVENUE BUDGET 2020/21 AND MEDIUM TERM FINANCIAL STRATEGY 2020/21 – 2024/25
REPORT FROM:	CABINET MEMBER FOR FINANCE AND HOUSING
CONTACT OFFICER:	MIKE WOODHEAD, JOINT CHIEF FINANCIAL OFFICER
TYPE OF DECISION:	COUNCIL
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain
SUMMARY:	This report sets out the key elements of the 2020/21 budget proposals and the framework for the longer term

	<p>Medium Term Financial Strategy (MTFS) 2020 – 2025. It makes available the latest financial information that will underpin the 2020/21 budget and the MTFS. The report also sets out the process that will lead to the agreement of the budget and the setting of the 2020/21 council tax on 26 February 2020.</p>
<p>OPTIONS & RECOMMENDED OPTION</p>	<p>Overview and Scrutiny Committee is asked to note and comment on the report.</p> <p>Cabinet is recommended to:</p> <ul style="list-style-type: none"> • Note the medium term financial strategy and the assumptions regarding resources and spending requirements; • Note the 2019/20 budget monitoring position including the collection fund surplus; • Note the council tax base of 55,222 on which the council tax funding has been calculated as set by the Joint Chief Finance Officer under delegated powers; • Approve the permanent spending allocations of £12.674m in 2020/21; • Note the budget gap of £5.162m in 2020/21 and the forecast gap of £22.561m in future financial years; • Approve the budget reduction options totalling £5.152m as set out in the report; • Approve the allocation of the one-off collection fund surplus as follows: <ul style="list-style-type: none"> ○ £10m General Reserves ○ £5.8m Transformation Reserve • Note the forecast increase in general reserves to improve financial resilience; • Note the significant financial uncertainty around funding beyond 2020/21 and the potential impact of the business rate retention review and the fair funding review.
<p>IMPLICATIONS:</p>	

Corporate Aims/Policy Framework:	The proposals accord with the Policy Framework
Statement by Section 151 Officer:	Financial and risk implications are detailed in the report.
Equality/Diversity implications:	No
Considered by Monitoring Officer:	Yes The budget is to be prepared in accordance with statutory provisions and detailed guidance. It is timetabled to ensure that statutory requirements are met.
Are there any legal implications?	The Council has a legal obligation to pass its budget and Council Tax resolutions by March 2020. Members are asked to consider the legal issues in the joint advice set out in Appendix 5.
Staffing/ICT/Property:	No
Wards Affected:	All
Scrutiny Interest:	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

REVENUE BUDGET 2020/21 AND MEDIUM TERM FINANCIAL STRATEGY 2020/21 – 2024/25

1 Introduction

- 1.1 This report sets out the key elements of the 2020/21 budget proposals and the framework for the longer term Medium Term Financial Strategy (MTFS) 2020 – 2025. It makes available the latest financial information that will underpin the 2020/21 budget and the MTFS. The report also sets out the process that will lead to the agreement of the budget and the setting of the 2020/21 council tax on 26 February 2020.
- 1.2 The information presented in this report is structured over the following areas:
- The financial context within which the budget and the MTFS will be agreed
 - The summary revenue budget position 2019/20
 - Developing the Medium Term Financial Strategy
 - The options proposed to deliver a balanced budget in 2020/21
 - The robustness of the budget and the adequacy of reserves
 - The residual financial risks and uncertainties
 - The financial framework
- 1.3 In setting the budget, consideration of the Housing Revenue Account and the Schools budget have been taken into considerations. Separate reports for these are set out elsewhere on the agenda.

2 CONTEXT

- 2.1 The Council is currently working with a one year only Local Government Finance. Beyond 2020/21 there is no clarity on the system and levels of funding and there is no solution to the long term approach for funding adult social care. Additionally, the outcomes of the business rates retention review and the fairer funding review are still unknown but could have significant implications on future funding levels. Such significant uncertainty must be considered in deciding the tax increase position as part of the budget setting process. Within this context, the council needs to achieve a balance of ambition, prudence and resilience in setting its medium term financial strategy.
- 2.2 The 2020/21 Local Government Finance Settlement was announced on 20 December 2019. The settlement confirmed all announcements made in the 2020/21 Spending Round including:
- Increasing the Settlement Funding Assessment (SFA) in line with inflation from £14.6bn to £14.8bn;
 - Confirming the proposals for Council Tax referendum limits for 2020/21;
 - The continuation of the existing £2.5bn of existing Social Care grants into 2020/21 including the Improved Better Care Funding, Winter Pressures Grant and Social Care Support Grant;

- An additional £1bn nationally for adults and children’s social care
 - £900m top slice for New Homes Bonus in 2020/21 and maintaining the growth threshold at 0.4%;
 - Increases in the Schools budget by £2.6bn in 2020/21, £4.8bn by 2021/22 and £7.1bn by 2022/23. The minimum per pupil amount has increased from £3,500 per primary school pupils in 2019/20 to £3,750 in 2020/21, and from £4,800 per secondary school pupil in 2019/20 to £5,000 in 2020/21;
 - An increase in high needs funding for schools by more than £700m in 2020/21 to support children and young people with special educational needs.
- 2.3 The settlement is largely a ‘roll over’ settlement with some inflationary increases and specific increases for social care. The settlement has been highlighted by the government as providing a 6.3% increase to local authorities. The largest proportion of the Spending Power increase is however from locally raised council tax.
- 2.4 The council must ensure it has a robust base and also holding sufficient reserves to mitigate against planned or unplanned expenditure and other risks. Reserves can only be spent once and therefore a strategy that does not rely on the one-off use of reserves to support it is a key feature of the strategy. It is within this context that the budget for 2020/21, as the first year of a new 5 year rolling MTFs, will start to align the resources of the council to the objectives and ambitions of the council and the Bury 2030 strategy.
- 2.5 The table below sets out the base revenue forecasts through to 2024/25. By 2024/25 the council is estimated to have £175.855m revenue resource. These figures assume a 2% council tax increase in each year and also a 2% social care levy for 2020/21 only. It is however recognised that the setting of the council tax is one for full council after taking advice from officers and information available at that time.
- 2.6 The assumptions underpinning the figures in Table 1 below are:
- 2% annual increase in council tax for each financial year
 - 2% increase in the adults social care levy 2020/21 only
 - The introduction of the fair funding review and the business rates retention from April 2021 will have a neutral impact on the resources available to the council outside of receiving an annual inflationary (1.7%) uplift
 - The Better Care Fund, the main element of the Improved Better Care Fund and other longstanding government grants continue to be received at their current levels over the medium term
 - The additional one-off grants announced by the Chancellor as part of the 2019 Spending Review are continuing for the duration of the MTFs.

Revenue Resource Forecasts 2020-25					
	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Council Tax	89.020	90.747	92.507	94.302	96.132
Business Rates*	50.153	62.846	63.914	65.001	66.105
Better Care Grant and core i-BCF	6.988	6.988	6.988	6.988	6.988
Public Health Grant	11.642	0.000	0.000	0.000	0.000
Social Care Grants	2.212	2.212	2.212	2.212	2.212
New Homes Bonus	0.458	0.235	0.035	0.000	0.000
New Social Care Funding	3.375	3.375	3.375	3.375	3.375
Other Government Grants	1.043	1.043	1.043	1.043	1.043
TOTAL	164.891	167.446	170.074	172.921	175.855

*Business Rates assumes Public Health Grant rolled in from 2021/22

- 2.7 In calculating the council tax base and the business rates, the 2019/20 position on the collection fund has been taken into account. The collection fund is forecasting an in-year surplus of £8.9m and has a surplus amount carried forward of £8.2m. Continuing with the current methodology is likely to result in another significant surplus in the next financial year and therefore to avoid any unnecessary budget reductions the resource forecasting has been updated to reflect current levels of activity. A degree of prudence has however been factored in. Housing growth in previous years has been factored in however assumptions around future housing growth has not. It is likely that there will be growth and therefore there will be a benefit in future years of this, subject to any changes resulting from the fair funding and business rates reviews. The calculation of the Council Tax base 2020/21 is set out in Appendix 1. Consideration of the use of the one-off funds is set out later in the report.
- 2.8 The provisional Local Government Finance Settlement set out the maximum level of council tax that can be raised in 2020/21. SR2019 committed the Government to allowing a 2% increase in the core council tax and an extension to the ability to raise a further 2% adult social care levy.
- 2.9 In developing the budget strategy the following principles and key outcomes have been considered:
- Ensure the outcomes objectives of the Bury 2030 are supported;
 - Ensure the council's finances are robust and prudent particularly given the current economic uncertainties and the potential changes to the funding system in future years;
 - Build in capacity into the corporate core of the organisation to ensure plans are deliverable and fully supported.

Council Tax

2.10 Incorporated in the resource forecasts is an assumption that the council tax increases available to the council as part of the Local Government Finance Settlement are taken. Not only does this approach ensure the council's financial sustainability over the medium term, it is also assumed in the Governments estimates of the funding available to local authorities.

2.11 Adult Social Care Levy

In addition to taking the maximum increase in council tax income, the council has a further option of extending the adult social care levy for a further year. A further 2% social care levy provides an additional £1.710m to the base budget on an on-going basis. This has been assumed in the resource forecast. This approach is considered prudent in light of the continuing uncertainty around future funding of adult social care and the continued high and increasing levels of demand that are being experienced.

2.12 The Government is assuming that councils will raise the 2% adult social care levy as well as the 2% increase in the main element of council tax as part of their overall funding package for local government services.

2.13 The investment in adult social care that the levy will provide will:

- Improve services by addressing some significant cost pressures facing the service, including older people, transitions from children's services and supporting market sustainability;
- Sustain effective support for vulnerable people in the context of increasing demand due to demographic change and increasing levels and complexity of need, and;
- Provide financial resilience given the uncertainty about the future funding and policy framework for adult social care with a number of delays to the green paper.

3 FORECAST OUTTURN POSITION 2019/20

3.1 It is important that the current year's position is taken into consideration and that any trends and information available are reflected on. Monitoring at the end of the third quarter, December 2019, shows that the council is forecasting a small underspend of £0.657m which is equivalent to 0.47% of the council's net budget. Whilst overall this is a positive position there are a number of services that are overspending and offset by underspends in non-service specific budgets. In addition to this, the 2019/20 budget had an inbuilt reliance on one-off funding from reserves. The application of these reserves totalled £5m and was to support Directorates in delivering their savings targets over a longer period of time. Despite this, £4m of savings remain undelivered during the year and is deemed a continuing risk and pressure for future years that will need to be

addressed. The table below provides a summary of the forecast position based on information available at the end of December 2019.

2019/20 Forecast Revenue Out Turn Position – as at 31 December 2019			
Directorate	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Communities and Wellbeing	70.300	72.050	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)
TOTAL	138.862	138.205	(0.657)

3.2 The budget remains under regular review by the Chief Executive and the Joint Executive Team and it is expected that the position will improve even further by the end of the financial year. Ongoing scrutiny of spending and the delivery of savings plans is carried out and more targeted support with rigorous tracking of savings delivery will be introduced for next year.

4 DEVELOPING THE MEDIUM TERM FINANCIAL STRATEGY AND THE 2020/21 BUDGET

Permanent Spending Need

4.1 The spending needs of the council have been developed alongside the resource forecasting. In developing spending need, consideration has been given to ensuring the budget:

- delivers investment in projects and programmes that will support the ambitions and objectives set out in the Bury 2030 plan;
- delivers the long term financial sustainability of services and the council as a whole;
- continues to drive forward the implementation of the council's change agenda to ensure core services, infrastructure and resources can be used flexibly and effectively to meet future challenges and deliver for residents, businesses and communities.

4.2 The additional permanent allocations proposed total £47.001m over the 5 year period and are set out in Appendix 2 to the report. It is important to

note that the allocations for 2021/22 onwards are only indicative and will be updated and refreshed at regular intervals. The key areas are:

Pay Inflation (£2.466m in 2020/21)

- 4.3 Pay inflation of 2.5% in 2020/21 and 2% in future years has been assumed in the MTFS. The pay bill is driven by the national pay agreement and is therefore outside of the control of the council. Changes above and that assumed in the MTFS will need to be managed as a risk in year.
- 4.4 The tri-ennial review of the council's employer pension contribution levels has concluded and confirmed that Bury's contribution rates to the Greater Manchester Local Government Pension Fund will remain unchanged. There is therefore no impact on the council's budget.

Contractual Inflation (£5.043m in 2020/21)

- 4.5 The council has a range of contracts to which there is a contractual commitment to increase by an inflationary amount each year. This has been built into the budget and includes the increases on the living wage that needs to be reflected in payments to care providers.

Demand (£2.481m in 2020/21)

- 4.6 The council is experiencing increases in demand for some services as a result of demographic change. The main areas are:
- Adult social care including the number of people accessing services as well as an increase in the complexity of need;
 - Placements for the support for children who are looked after, at risk and children with disabilities;
 - Costs of children transitioning to adults services.

Fall Out of Time Limited Funding (£1.585m)

- 4.7 Some adult social care services have been funded from time limited resources over the past few years. As there remains a strong alignment with the council's key objectives and outcomes it is proposed that the funding is put on a sustainable basis going forward.

Unachieved Savings (£2.830m)

- 4.8 The recent monitoring is showing that a significant number of savings agreed in previous financial years are not considered to be deliverable. It is not considered prudent or sustainable for services to carry forward savings targets that realistically cannot be achieved and it is proposed that these be added back into the budget. To ensure that savings proposals going forward are realistic and can be delivered, an assessment of savings proposals has been carried out using external advisers. This work will now be followed up with detailed implementation plans and savings trackers. A full summary of unachievable savings is set out at Appendix 2.

Budget Realignment (-£4.730)

- 4.9 As well as the need to reflect increases in expenditure, there are some budgets that regularly deliver an underspend. These underspends are routinely used as part of a wider risk management approach and offset any emerging overspends, particularly from the non-delivery of savings targets. This approach does not promote sound financial management and control and therefore in addressing those savings targets that are not considered deliverable and focussing on those that are, the underspending budgets have also been adjusted downwards to reflect a more realistic position. There will however need to be a much more focussed approach to the delivery and reporting of savings throughout the year.

Borrowing to Support the Capital Programme (£1.5m over 2020/21 and 2021/22)

- 4.10 The council's capital strategy and draft capital programme has been developed. Delivering the capital programme will require investment that can only be supported through borrowing. A total of £1.5m has been built into the MTFS to support the borrowing costs needed to deliver the priority projects identified. This approach is considered prudent and ensures that the council has a sustainable basis on which its capital programme is built.

Corporate Capacity Requirements (£1.5m over 2020/21 and 2021/22)

- 4.11 Over recent years the council has reduced its support and core functions to a minimum. In protecting front line services, a disproportionate amount of budget has been removed from these services and is impacting on service delivery and statutory functions including finance and legal services. Strengthening some of these services is considered necessary in order for the council to deliver these services effectively and also to build in capacity to support the delivery of savings programmes, projects and strategic programmes. A total of £1.5m over two years has been built into the MTFS.

Reserves (£0.567m)

- 4.12 A planned contribution to reserves to build resilience and sustainability has been built in to the budget. This is in recognition of the low base of the council's general reserve and the commitment to build and strengthen reserves.

Summary Spending Position

- 4.13 Bringing all of these elements together indicates that the council has a spending need of £170.053m in 2020/21 increasing to £204.380m in 2024/25. A breakdown of this is shown in the table below.

Spending Need Forecasts 2020-21 – 2024/25					
	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Adjusted Budget*	157.379	170.053	179.279	187.511	195.830
Decisions Made in Year	0.432	0.000	0.000	0.000	0.000
Pay Inflation	2.466	1.929	1.865	1.870	1.904
Contractual Inflation	5.043	5.299	5.157	5.399	5.596
Demand	2.481	1.109	1.250	1.050	1.050
Fall-Out of Time Limited Funding	1.585	0.000	0.000	0.000	0.000
Unachieved Savings	2.830	(0.111)	(0.040)	0.000	0.000
Budget Re-alignment	(4.730)	0.000	0.000	0.000	0.000
Borrowing to Support Capital Programme	1.000	0.500	0.000	0.000	0.000
Corporate Capacity Requirements	1.000	0.500	0.000	0.000	0.000
Planned Contribution to Reserves	0.567	0.000	0.000	0.000	0.000
Sub Total	12.674	9.226	8.232	8.319	8.550
TOTAL FORECAST SPENDING REQUIREMENT	170.053	179.279	187.511	195.830	204.380

*Adjusted for reversal of use of reserves and grants

5 PROPOSALS FOR BALANCING THE BUDGET

5.1 Comparing the forecast resources to the forecast spending needs shows that there is a funding gap that needs to be addressed. The gap in 2020/21 is £5.162m and a further £22.561m is required for the 4 year period 2021/22 – 2024/25. The position will change over time as the MTFs is updated to reflect changes in demand, legislation and funding frameworks and will be reported to Cabinet at regular intervals. A summary of the financial gap is set out below.

Forecast Financial Gap 2020/21 - 2024-25					
	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Forecast Spending Requirement	170.053	179.279	187.511	195.830	204.380
Savings from prior years	0.000	(5.162)	(5.629)	(5.964)	(5.964)
	170.053	174.117	181.882	189.866	198.416
Forecast Resources	164.891	167.446	170.074	172.921	175.855
FUNDING SHORTFALL/(SURPLUS)	5.162	6.671	11.808	16.945	22.561
Efficiency Proposals	(2.940)	(0.417)	(0.265)	0.000	0.000
Service Reduction Proposals	(1.222)	(0.050)	(0.070)	0.000	0.000
MRP Accounting Policy Change	(1.000)	0.000	0.000	0.000	0.000
Sub Total	(5.162)	(0.467)	(0.335)	0.000	0.000
CUMULATIVE FUNDING SHORTFALL/(SURPLUS)	0.000	6.204	11.473	16.945	22.561
IN YEAR SHORTFALL/(SURPLUS)		6.204	5.269	5.472	5.616

- 5.2 Recognising the financial gap, a number of savings options totalling £5.162m have been developed. All of the options have been subject to intense scrutiny, supported by external advisers, to ensure that they are deliverable and therefore the confidence levels are high. The majority of the options are deemed to be efficiencies and have no impact on service delivery although they will still be subject to consultation where necessary. It is proposed that these be accepted in full by Cabinet. The remaining 3 options totalling £1.222m in 2020/21 and increasing to £1.342m by 2022/23 are service options and a full summary and impact assessment is attached at Appendix 3 and Appendix 4. Cabinet are recommended to approve these options.
- 5.3 A revised approach to the Council's Minimum Revenue Provision (MRP) policy is proposed and is subject to the approval of Cabinet. The proposed approach has been signed off by the external auditors who are content that the changes are within the regulations. The recommendation is set out in the Treasury Management report and, if approved, will generate an ongoing benefit of £1m per annum. The change in accounting policy will also release an in-year underspend in 2019/20 of c£2m which will improve the council's forecast over and above that currently reported. This is not currently reflected in the 2019/20 monitoring position and will therefore improve the forecast position if approved.
- 5.4 The surplus on the collection fund provides one-off funds of £15.8m for the council in 2020/21. In recognition of overarching priorities; complexity of budget savings delivery and risk management it is proposed that:
- £10m be added to general reserves to improve resilience, on the basis that reserves have been depleted over the years and are at a historically low level as described below;
 - £5.8m be added to a new transformation fund to bring in short term capacity for programme and project delivery of this budget; managing in-year spend; delivery of the capital programme and to close critical capacity gaps which will contribute to the delivery of savings in future years. This fund will also be used for business case-based investment to respond to outstanding actions from the LGA Corporate Peer Review from 2018/19, which highlighted some critical capacity gaps.

6 RESERVES

- 6.1 The proposals for the 2020/21 budget removes a reliance on one-off monies from reserves and also provide for a planned contribution to reserves of £0.567m annually. This will see reserves increase from their current position and improve overall resilience and sustainability. Any underspend at the financial year end will also be added to general/earmarked reserves. The assessment of the service options to ensure plans are robust and that the savings can be delivered provides an additional level of assurance and should minimise the potential for services calling on reserves to meet any unmet savings targets.

6.2 The Council’s reserves position has been depleted over years and reserves are at a historically low level. Previously Cabinet has made a commitment to increase reserves in order to build in resilience and long term sustainability and the proposed budget proposals support this commitment. To further support this, a new reserves strategy will be developed as part of the closure of accounts programme and will be presented to Cabinet early in the new financial year.

7 ROBUSTNESS OF THE BUDGET AND THE ADEQUACY OF RESERVES

7.1 Section 25 of the Local Government Act 2003 requires that, in giving consideration to budget proposals, members must have regard to the advice of the council’s chief finance officer on the robustness of the estimates and the adequacy of the council’s reserves.

7.2 The basis on which the budget has been prepared, as in previous years, relies on the forecast of activity and the impact of changes in policy previously agreed by the council. These forecasts are kept under review as part of the budget monitoring process and actions identified to address financial risks arising from the changes in the forecast as they occur.

7.3 The table below demonstrates the scale of a small variance in the assumptions made, showing the potential of both a positive and negative movement of 1% across the main areas within the MTFS.

Financial Risk in the MTFS	
	Potential Full Year Impact
	£m
Pay (1%)	0.986
Price inflation (1%)	1.500

7.4 In addition to this, there are a number of key risks:

- potential for changes in funding resulting from the fair funding review and business rate retention review are unknown at this stage but could be significant. Business rates income for the council (including public health grant) is £61.795m in 2020/21 and a 1% change in this is equivalent to £0.630m.
- the future of grants, particularly those in relation to social care, is unknown. Social Care grants, including the Better Care Fund, equate to £9.2m in 2020/21. A 1% change in these is £0.920m.
- pay awards have not yet been finalised. The pay bill is driven by the national pay agreement and changes above and that assumed in the MTFS will need to be managed as a risk in year;
- the economic uncertainty and the potential impact of Brexit is unknown and needs to be monitored;

- the lack of a long term national strategy to fund the increasing costs of social care is a significant risk. The ability for councils to continue to try and manage demand within their existing budgets is not sustainable and is placing increasing risk on councils.

7.5 The council holds reserves for a number of reasons:

- To enable the council to manage variations in the demand for services which cause in year budget pressures;
- To fund specific projects or identified demands in the budget;
- To enable the council to deal with unexpected events such as flooding or destruction of a major asset.

7.6 Setting an appropriate level of reserves is a matter of judgement taking into account:

- The level of risk evident within the budget as set out above;
- A judgement on the effectiveness of budgetary control within the organisation; and
- The degree to which funds have already been set aside for specific purposes which will reduced the need for general reserves.

7.7 Based on the budget proposals set out in the report, and taking account of the current forecast out turn position, the council will increase its general reserve from £7.7m to £18.3m. This includes the use of the one-off collection fund surplus monies and the planned contribution to reserves. This increase in reserves provides a much greater level of financial resilience.

7.8 The revenue budget has been heavily supported by one-off reserves in the past and this has resulted in a significant reduction in reserves over recent years. It has been previously recognised that this is not a sustainable position and the budget proposals for 2020/21 remove this reliance.

7.9 Budgetary control processes are in place to manage in year expenditure. Effectiveness of budgetary control is a combination of systems and processes as well as the risk environment within which the council is operating. It therefore remains an essential requirement that the council continues to ensure that processes are effective in maintaining a grip on in ear expenditure and also that there is a clear focus on delivering a balanced and sustainable budget.

8 FINANCIAL FRAMEWORK

8.1 The Council has adopted four 'Golden Rules' as part of its long term approach to financial management and overall financial framework and these have been met in the current financial year. These 'Golden Rules'

were incorporated in the council's financial policies in February 2007 and updated in 2019 following the LGA peer review are as follows:

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

Capital Strategy

- 8.2 The Capital Strategy is prepared in accordance with the latest Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential and Treasury Management Codes of Practice. The strategy provides a framework within which the Council's capital investment plans will be delivered. These plans are driven by the Council's objectives and are linked to the development of the Bury 2030 strategy.
- 8.3 The proposed capital strategy and programme 2020/21 – 2024/25 also takes the essential elements of previous year's strategies and programmes and moves them forward to the forthcoming year. Capital spending is a key determinant of future revenue commitments and the capital programme and revenue budget are interlinked and have been developed as integrated strategies.

Treasury Management Strategy

- 8.4 The treasury management strategy is prepared in accordance with the CIPFA Prudential and Treasury Management Codes of Practice. The strategy sets out the council's approach to managing investments, cash flows, money market and capital market transactions. The strategy provides a framework for the effective control of risks associated with these activities.
- 8.5 The Treasury Management strategy for 2020/21 reflects the council's capital expenditure plans as set out in the capital strategy. The strategy also sets out the position in relation to the prudential indicators arising from the council's capital expenditure plans. As well as borrowing and investment strategies, the Treasury Management strategy also covers the current treasury position, economic outlook and interest rates forecasts, risk and creditworthiness. Finally the strategy also includes the council's

policy on borrowing in advance of need and the Minimum Revenue Provision (MRP) policy statement. A change to the MRP policy statement is proposed as part of the Treasury Management strategy report which generates an ongoing benefit of £1m per year in the council's revenue budget. The budget proposal outlined earlier in the report assume the benefit however recognise that this is subject to political decision.

Housing Revenue Account

- 8.6 A separate Housing Revenue Account report has been prepared for presentation to Cabinet and is set out as a separate report on the agenda. This report sets out the recommended dwelling and non-dwelling rents and service charge increase to be applied from April 2020. The report is a key element of the council's overall medium term financial strategy.

Dedicated Schools Grant

- 8.7 A separate report on the Dedicated Schools Grant (DSG) is set out elsewhere on the agenda. This report sets the schools budget for 2020/21 and also the hourly rates for the early years education. The report also sets out the position the DSG deficit relating to high needs and information on the recovery plan.

Local Taxation and Benefits Discretionary Policies

- 8.8 Annually the council reviews and updates policies covering discretionary council tax discounts, discretionary business rates relief, local welfare provision and discretionary housing payments. These policies provide support to local businesses and some of the poorest and most vulnerable residents within the borough. These policies operate within a legislative framework determined by various Local Government Acts of Parliament. The financial impact of these policies is fully reflected in the budget proposals presented within this report.

Counter Fraud and Corruption

- 8.9 The council has a series of refreshed policies and procedures to support the provision of an appropriate counter fraud service to minimise fraud and to investigate potential fraud and corruption. The Accounts and Audit Regulations 2015 state that the Council must have measures in place 'to enable the prevention and detection of inaccuracies and fraud'. In this context fraud also refers to cases of bribery and corruption. The budget proposals contained in this report rely on effective processes for mitigating the risk of financial loss from fraud, bribery and corruption.

CIPFA Financial Management Code

- 8.10 CIPFA's Financial Management Code was published in October 2019. The objectives of the code are 'to support good practice in financial management and to assist Local Authorities in demonstrating their financial sustainability'. The code is based upon a series of principles which will be supported by specific standards of practice which CIPFA

consider necessary for a strong foundation. The foundation being the ability to:

- Financially manage the short, medium and long-term finances of a Local Authority
- Manage financial resilience to meet foreseen demands on services
- Financially manage unexpected shocks in their financial circumstances

8.11 Local Authorities are expected to comply with the requirements of the code by 1 April 2020 as a shadow year and full compliance from 1 April 2021. The Code will therefore provide Local Authorities with a platform for good financial management throughout 2020/21. Work is underway within the finance service to ensure compliance with the Code and an update will be provided to the Audit Committee. It is fully expected that the Council will be fully compliant with the code by 2021/22.

9 OTHER RISKS/OPPORTUNITIES

Bus Reform

9.1 The Greater Manchester Combined Authority has proposed a bus franchising scheme for the whole of Greater Manchester. Proposals are currently out for consultation and the outcome of this will be published in due course. It is likely that the scheme will generate a one-off cost pressure for which the Council will be required to make a contribution. Details are not known at this stage and therefore the costs have not been reflected in the budget proposals. The council is however is paying a reduced levy in the current financial year. It is proposed that this underspend be allocated to an ear marked reserve to manage the risk of a payment being required in 2020/21.

9.2 There are a number of traded services across the council that are failing to meet their income targets largely due to reduced demand, some of which relate to the academisation of schools. A review of traded services and options for financial sustainability will be brought forward during the year. No increase to income budgets have been assumed and any proposed increases in fees and charges will help to reduce the income shortfall. Any under recovery of income in the current financial year will be managed as a risk.

10 CONSULTATION

10.1 The council has previously consulted on its budget savings proposals some of which are being carried forward into the 2020/21 financial year due to a phased implementation approach. The engagement with key stakeholders on the Bury 2030 strategy and priorities for the council, provided an opportunity for future resourcing and the allocation of spending to be considered. The findings of this engagement has been factored into the budget setting process. Where required individual consultation on proposals will be carried out prior to implementation and this is set out in the individual budget proposals set out at Appendix 4.

10.2 As proposals are developed for implementation, detailed consultation with relevant stakeholders will be undertaken. For efficiency options this includes consultations with staff and trade unions.

Calculation of Council Tax Base 2020/21

Appendix 1

Calculation of Council Tax Base 2020/21 (Based on all properties)										
Bands	A Reduced	A	B	C	D	E	F	G	H	TOTAL
Total Number of Dwellings on the valuation list		30,342	18,559	17,290	9,180	5,478	1,842	1,274	175	84,140
Total Number of Exempt and Disabled Relief dwellings on the Valuation List	51	21	14	-23	-11	-33	9	-7	-21	0
Less: estimated discounts, exemptions and disabled relief	3	4,826	2,018	1,492	674	293	103	69	0	9,748
Total Equivalent number of dwellings after discounts, exemptions and disabled relief	48	24,536	16,555	15,775	8,496	5,152	1,749	1,197	154	74,552
Factor stipulated in regulations	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D equivalent	27	17,024	12,876	14,022	8,496	6,297	2,526	1,996	307	63,571
Net effect of Local Council Tax Support Scheme (LCTSS) and other adjustments	7	3,972	1,250	709	251	111	32	14	0	6,346
Additional Net Dwellings in 2020/21 based on known regeneration with the Borough and reductions in levels of discounts and exemptions	0	0	0	0	0	0	0	0	0	0
Total after LCTSS and Other Adjustments	20	13,052	11,626	13,313	8,245	6,16	2,493	1,982	307	57,225
Multiplied by estimated collection rate	96.5%	96.5%	96.5%	96.5%	96.5%	96.5%	96.5%	96.5%	96.5%	96.5%
BAND D EQUIVALENTS	19	12,595	11,219	12,847	7,965	5,969	2,406	1,913	297	55,222

Proposed Permanent Spending Allocations to Budget 2020/12 (Indicative 2021/22 - 2024/25)

		Allocation	Future indicative Allocation			
Directorate	Description	2020/21	2021/22	2022/23	2023/24	2024/25
		£m	£m	£m	£m	£m
Decisions Already Made						
Resources and Regulation	Customer Services and Debt Collection	0.239	0.000	0.000	0.000	0.000
Business, Growth and Infrastructure	Management Team Capacity	0.193	0.000	0.000	0.000	0.000
TOTAL		0.432	0.000	0.000	0.000	0.000
Contractual Inflation						
Corporate	Utilities	0.157	0.077	0.080	0.083	0.086
Corporate	Rent/Rates	0.154	0.039	0.040	0.042	0.043
Corporate	ICT Contracts	0.128	0.024	0.025	0.026	0.027
Children and Young People	Residential Care (including living wage)	0.548	0.731	0.602	0.635	0.668
Children and Young People	External Fostering Placements	0.129	0.172	0.142	0.149	0.157
Children and Young People	Fostering, Adoption and Leaving Care Allowances	0.286	0.387	0.318	0.336	0.354
Children and Young People	Support Packages and Direct Payments	0.085	0.115	0.095	0.100	0.105
Children and Young People	Premature Retirement Costs	0.026	0.029	0.024	0.024	0.026
Communities and Wellbeing	Community Care and Other Contracts	1.141	1.176	1.219	1.277	1.319
Communities and Wellbeing	Persona Contract	0.258	0.277	0.287	0.300	0.310
Communities and Wellbeing	Residential care (Including living wage)	1.939	2.007	2.079	2.179	2.251
Housing Revenue Account	Housing	0.000	0.070	0.050	0.050	0.050
Non Service Specific	GM transport Authority	0.192	0.194	0.196	0.198	0.200
TOTAL		5.043	5.299	5.157	5.399	5.596

Proposed Permanent Spending Allocations to Budget 2020/12 (Indicative 2021/22 - 2024/25)

		Allocation	Future indicative Allocation			
Directorate	Description	2020/21	2021/22	2022/23	2023/24	2024/25
		£m	£m	£m	£m	£m
<i>Demand</i>						
Resources and Regulation	Bank Charges	0.047	0.000	0.000	0.000	0.000
Resources and Regulation	Debt Collection Costs	0.000	0.050	0.050	0.050	0.050
Children and Young People	Foster Placements	0.168	0.039	0.000	0.000	0.000
Children and Young People	Special Guardianship Orders	0.030	0.020	0.000	0.000	0.000
Children and Young People	Adoption Placements	0.070	0.000	0.000	0.000	0.000
Communities and Wellbeing	Care in the Community	0.177	0.000	0.000	0.000	0.000
Communities and Wellbeing	Community Stores	0.440	0.000	0.000	0.000	0.000
Communities and Wellbeing	Adults Demographics	1.000	1.000	1.000	1.000	1.000
Communities and Wellbeing	Transition from Children's Services	0.549	0.000	0.200	0.000	0.000
TOTAL		2.481	1.109	1.250	1.050	1.050
<i>Fall Out of Time Limited Funding</i>						
Communities and Wellbeing	Contribution from NHS	1.585	0.000	0.000	0.000	0.000
TOTAL		1.585	0.000	0.000	0.000	0.000
<i>Budget Re-Alignment</i>						
Communities and Wellbeing	Staffing	(0.250)	0.000	0.000	0.000	0.000
Communities and Wellbeing	Supporting People	(0.505)	0.000	0.000	0.000	0.000
Communities and Wellbeing	Various	(0.170)	0.000	0.000	0.000	0.000
Children and Young People	Various	(0.100)	0.000	0.000	0.000	0.000
Resources and Regulation	Various	(0.076)	0.000	0.000	0.000	0.000
Operations	Various	(0.075)	0.000	0.000	0.000	0.000
Non-Service Specific	Various	(3.554)	0.000	0.000	0.000	0.000
TOTAL		(4.730)	0.000	0.000	0.000	0.000

Proposed Permanent Spending Allocations to Budget 2020/12 (Indicative 2021/22 - 2024/25)

		Allocation	Future indicative Allocation			
Directorate	Description	2020/21	2021/22	2022/23	2023/24	2024/25
		£m	£m	£m	£m	£m
<i>Unachieved Savings</i>						
Communities and Wellbeing	Environment	0.370	0.000	0.000	0.000	0.000
Communities and Wellbeing	Sports and Leisure	0.380	0.000	0.000	0.000	0.000
Communities and Wellbeing	Civic Venues	0.202	0.000	0.000	0.000	0.000
Communities and Wellbeing	Packages of Care	0.236	(0.111)	(0.040)	0.000	0.000
Children and Young People	Reduced Pension Liabilities	0.120	0.000	0.000	0.000	0.000
Children and Young People	CYP Service Restructure	0.339	0.000	0.000	0.000	0.000
Children and Young People	Transformation of Children's Social Care	0.390	0.000	0.000	0.000	0.000
Resources and Regulation	Insurance Premiums	0.200	0.000	0.000	0.000	0.000
Resources and Regulation	Pay Services	0.030	0.000	0.000	0.000	0.000
Resources and Regulation	Security Services review	0.137	0.000	0.000	0.000	0.000
Resources and Regulation	Finance Structure	0.100	0.000	0.000	0.000	0.000
Resources and Regulation	Telephony Contract	0.060	0.000	0.000	0.000	0.000
Resources and Regulation	Increase use of in house legal team	0.038	0.000	0.000	0.000	0.000
Business, Growth and Infrastructure	Facilities Management Review	0.025	0.000	0.000	0.000	0.000
Business, Growth and Infrastructure	Office Accommodation	0.203	0.000	0.000	0.000	0.000
TOTAL		2.830	(0.111)	(0.040)	0.000	0.000
GRAND TOTAL		7.641	6.297	6.367	6.449	6.646

Directorate	Proposal Description	Proposed Budget Reduction			EIA Required	Consultation Required
		2020/21	2021/22	2022/23		
		£m	£m	£m		
<i>New Efficiencies to Endorse</i>						
Communities and Wellbeing	Persona Contract Efficiencies within the Persona contract.	(0.611)	(0.611)	(0.611)	Yes	Yes
Communities and Wellbeing	Supporting People Review Recommissioning of services.	(0.177)	(0.177)	(0.177)	Yes	Yes
Communities and Wellbeing	Debt Recovery Introduction of more effective and efficient debt recovery processes.	(0.100)	(0.100)	(0.100)	No	No
Children and Young People	School Improvement Service Review of existing service provision and delivery models to reflect needs of schools.	(0.330)	(0.330)	(0.330)	No	Yes
Children and Young People	Early Help Model Co-ordinated and streamlined management of buildings and increase I usage of the facilities..	(0.102)	(0.136)	(0.136)	Yes	Yes
Children and Young People	Procurement Review of Contracts Review of supplier contracts across the service.	(0.100)	(0.100)	(0.100)	No	No
Operations	Procurement Review of Contracts Review of supplier contracts across the service.	(0.085)	(0.168)	(0.168)	No	No
Operations	Corporate Landlord Property rationalisation and maximise occupancy in core buildings.	(0.585)	(0.585)	(0.585)	No	Yes
Operations	Architects Service Review Review of the service including the opportunity to make greater use of capital.	(0.200)	(0.200)	(0.200)	No	Yes
All Services	Supplier Review of Contracts Review of supplier contracts across the council	(0.300)	(0.600)	(0.865)	No	No

Directorate	Proposal Description	Proposed Budget Reduction			EIA Required	Consultation Required
		2020/21	2021/22	2022/23		
		£m	£m	£m		
All Services	Reduction in Discretionary Payments – Reduction in some discretionary payments through new, and more efficient, ways of working.	(0.350)	(0.350)	(0.350)	No	Yes
Sub Total		(2.940)	(3.357)	(3.622)		
Service Options - Decision Required						
Communities and Wellbeing	Provider Fees Review	(1.107)	(1.107)	(1.107)	Yes	Yes
Operations	Re-Wilding Grass Verges	(0.065)	(0.065)	(0.065)	Yes	No
Operations	Review of Highway Fees	(0.050)	(0.100)	(0.170)	Yes	No
Sub Total		(1.222)	(1.272)	(1.342)		
TOTAL		(4.162)	(4.629)	(4.964)		

Appendix 4

SECTION A

SERVICE REDUCTION OPTION	
DIRECTORATE	COMMUNITIES AND WELLBEING
DESCRIPTION	PROVIDER FEES REVIEW

DETAIL
<p>The Council undertakes an annual fee engagement process with contracted providers, in line with good practice and statutory legislation, which states that when setting and reviewing fee costs, Councils should have due regard to the actual costs of providing care and other local factors, along with a responsibility for managing the local care market.</p> <p>Last year the Council provided a National Living Wage uplift and an additional 1% uplift following pension changes. Bury Council also introduced a £15 Dementia premium for the first time. Bury was an outlier in not providing a dementia premium and the fee award was designed to stabilise the market and recognise the need to ensure the market both within Bury and across Greater Manchester remained stable.</p> <p>It is proposed to award an uplift in line with the national living wage to our independent sector providers and maintaining the current level of Dementia Premium, and a fee setting process is underway with providers, including a number of engagement workshops. This would ensure that Bury remains in keeping with other Greater Manchester authorities in its fee offer.</p> <p>The fee uplifts being proposed are for those in-borough adult social care providers including Care at Home, Complex Care at Home, Residential and Nursing Homes, Providers funded via Personal Budget and Learning Disability and Mental Health Supported Living. It is for those providers who are currently paid in line with Bury rates. There will be no uplift for those providers paid over and above Bury rates.</p>

	2020/21	2021/22	2022/23
	£m	£m	£m
PROPOSED BUDGET REDUCTION	1.107	1.107	1.107
PROPOSED STAFFING REDUCTIONS (FTE)			

SECTION B

What impact does the proposal have on the following:

Property
None
Service Delivery
None
Future expected Outcomes
Benefits of this model: <ul style="list-style-type: none"> • Costing remains within proposed Council budget. • Ensures Providers can pay for National Living Wage increase • Offer is aimed at providing benefits directly to staff as well as Providers e.g. staff benefits scheme.
Organisation
None
Workforce
None
Communities and Service Users
None
Clinical Commissioning Group
None
Other Partner Organisations
None

SECTION C

Key Risks and Mitigations

Risk	Mitigation
If the Providers evidence that any offer will result in them becoming unviable this must be taken into consideration as it will likely negatively impact the customers of Bury.	Provider feedback is sought throughout the fee engagement process. The Council must ensure that any fee uplift, and wider holistic offer, supports the Providers to remain sustainable.

SECTION D

Consultation Required?	Yes
Staff	No
Trade Union	No
Public	No
Service User	No
Other	Yes

Equality Impact Assessment

Is there the potential for the proposed budget reduction to have a disproportionate adverse impact on any of the following?

Disabled People	No
Particular Ethnic Groups	NO
Men or Women (including impacts to pregnancy/ maternity)	No
People who are married or in a civil partnership	No
People of particular sexual orientation	No
People who are proposing to undergo, undergoing or have undergone a process or part of a process of gender reassignment	No
People on low incomes	No
People in particular age groups	Yes
Groups with particular faiths and beliefs	No

Equality Impact Assessment Required?	Yes
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Appendix 4

SECTION A

SERVICE REDUCTION OPTION	
DIRECTORATE	OPERATIONS
DESCRIPTION	RE-WILDING GRASS VERGES

DETAIL
<p>The approach will involve a reduction in the grass cutting and adopt an approach of re-wilding grass verges as part of the council's commitment to being carbon neutral.</p> <p>Sites will be reviewed and assessed on an individual basis.</p>

	2020/21	2021/22	2022/23
	£m	£m	£m
PROPOSED BUDGET REDUCTION	0.065	0.065	0.065
PROPOSED STAFFING REDUCTIONS (FTE)			

SECTION B

What impact does the proposal have on the following:

Property
None
Service Delivery
None
Future expected Outcomes
None
Organisation
None
Workforce
None
Communities and Service Users
None
Clinical Commissioning Group
None
Other Partner Organisations
None

SECTION C

Key Risks and Mitigations

Risk	Mitigation

SECTION D

Consultation Required?	
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Staff	
Trade Union	
Public	
Service User	
Other	

Equality Impact Assessment

Is there the potential for the proposed budget reduction to have a disproportionate adverse impact on any of the following?

Disabled People	
Particular Ethnic Groups	
Men or Women (including impacts to pregnancy/ maternity)	
People who are married or in a civil partnership	
People of particular sexual orientation	
People who are proposing to undergo, undergoing or have undergone a process or part of a process of gender reassignment	
People on low incomes	
People in particular age groups	
Groups with particular faiths and beliefs	

Equality Impact Assessment Required?	
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Appendix 4

SECTION A

SERVICE REDUCTION OPTION	
DIRECTORATE	OPERATIONS
DESCRIPTION	REVIEW OF HIGHWAY FEES

DETAIL
<p>Statutorily, Highway Authorities are able to charge for highways related activities, i.e. utilities works impacting on highways. Currently, the fees and charges attract an annual increase of around 1% but have not been fundamentally reviewed for a number of years. Consequently Bury's fees are amongst the lowest in the GM authorities.</p> <p>A review of charges is proposed that will bring Bury's fees and charges in line with other GM authorities.</p>

	2020/21	2021/22	2022/23
	£m	£m	£m
PROPOSED BUDGET REDUCTION	0.050	0.100	0.170
PROPOSED STAFFING REDUCTIONS (FTE)			

SECTION B

What impact does the proposal have on the following:

Property
None
Service Delivery
None
Future expected Outcomes
None
Organisation
None
Workforce
None
Communities and Service Users
None
Clinical Commissioning Group
None
Other Partner Organisations
None

SECTION C

Key Risks and Mitigations

Risk	Mitigation
None	

SECTION D

Consultation Required?	No
Staff	No
Trade Union	No
Public	No
Service User	No
Other	NO

Equality Impact Assessment

Is there the potential for the proposed budget reduction to have a disproportionate adverse impact on any of the following?

Disabled People	No
Particular Ethnic Groups	No
Men or Women (including impacts to pregnancy/ maternity)	No
People who are married or in a civil partnership	No
People of particular sexual orientation	No
People who are proposing to undergo, undergoing or have undergone a process or part of a process of gender reassignment	No
People on low incomes	No
People in particular age groups	NO
Groups with particular faiths and beliefs	

Equality Impact Assessment Required?	Yes
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