

# REPORT FOR DECISION

Agenda

Item

<b>MEETING:</b>	<b>CABINET FULL COUNCIL</b>
<b>DATE:</b>	<b>26 FEBRUARY 2020 FULL COUNCIL</b>
<b>SUBJECT:</b>	<b>REVENUE BUDGET 2020/21 AND MEDIUM TERM FINANCIAL STRATEGY 2020/21 – 2024/25 DEDICATED SCHOOLS GRANT (DSG) 2020/21 CAPITAL STRATEGY AND CAPITAL PROGRAMME 2020/21 – 2022/23</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 sets out the key elements of the 2020/21 budget proposals and the framework for the longer term Medium Term Financial Strategy (MTFS) 2020/21 – 2024/2025. It makes available the latest financial information that will underpin the 2020/21 budget and the MTFS.

	<p>The allocations for the Dedicated Schools Grant 2020/21 including early years provision is set out.</p> <p>The report also sets out the capital strategy, the proposed capital programme 2020/21 and the indicative capital programme 2020/21 – 2022/23. The report sets out the capital investment priorities and information on the funding of the programme.</p>
<p><b>OPTIONS &amp; RECOMMENDED OPTION</b></p>	<p>Full Council is asked to:</p> <ul style="list-style-type: none"> <li>• Note the medium term financial strategy and the assumptions regarding resources and spending requirements;</li> <li>• Note the 2019/20 budget monitoring position including the collection fund surplus;</li> <li>• 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;</li> <li>• Approve the permanent spending allocations of £12.674m in 2020/21;</li> <li>• Note the budget gap of £5.162m in 2020/21 and the forecast gap of £22.561m in future financial years;</li> <li>• Approve the budget reduction options totalling £5.162m as set out in the report;</li> <li>• Approve the allocation of the one-off collection fund surplus as follows: <ul style="list-style-type: none"> <li>○ £10m General Reserves</li> <li>○ £5.8m Transformation Reserve</li> </ul> </li> <li>• Note the forecast increase in general reserves from £7.7m to £18.3m to improve financial resilience;</li> <li>• Approve the allocations on the Dedicated Schools Grant 2020/21 and the funding formula as recommended by the Schools Forum as set out in the report.</li> <li>• Approve the increase in the hourly rate for early years providers to £4.38 per hour for 3 and 4 year olds and £5.28 per hour for 2 year olds;</li> <li>• 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.</li> <li>• Approve the capital strategy 2020/21 – 2020/23;</li> <li>• Approve the capital programme of £51.101m for 2020/21 and the associated funding arrangements;</li> </ul>

	<ul style="list-style-type: none"> <li>• Note the indicative capital programme for 2021/22 – 2022/23 and that this will be subject to decision making in future years.</li> <li>• Note the assumptions around council tax as set out in the report.</li> <li>• Note that a report on the DSG ringfencing and the implications of outcome of the recent consultation will be presented to Cabinet early in the new financial year.</li> </ul>
<p><b>IMPLICATIONS:</b></p> <p><b>Corporate Aims/Policy Framework:</b></p>	<p>The proposals accord with the Policy Framework</p>
<p><b>Statement by Section 151 Officer:</b></p>	<p>Financial and risk implications are detailed in the report.</p>
<p><b>Equality/Diversity implications:</b></p>	<p>No</p>
<p><b>Considered by Monitoring Officer:</b></p>	<p>The budget is to be prepared in accordance with statutory provisions and detailed guidance. It is timetabled to ensure that statutory requirements are met.</p> <p>The Council has a duty under section 3(1) of the Local Government Act 2003 to determine and keep under review how much money it can afford to borrow. Section 3(5) of the Local Government Act 2003 provides that the Secretary of State may by regulations make provision about the performance of that duty. Regulations made by the Secretary of State require the Council to have regard to the Prudential Code for Capital Finance in Local Authorities published by CIPFA regarding the affordability of the Capital Programme.</p>
<p><b>Are there any legal implications?</b></p>	<p>The Council has a legal obligation to pass its budget and Council Tax resolutions by March</p>

	2020. Members are asked to consider the legal issues in the joint advice set out in Appendix A.  The legal implications for each individual scheme within the capital programme will be considered when approval is sought for that particular scheme. Each scheme within the capital programme will be approved in accordance with the Council's Constitution.
<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

## **1.0 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) 2020/21 – 2024/2025. It makes available the latest financial information that will underpin the 2020/21 budget and the MTFS. Included with the revenue strategy are the recommendations for the Dedicated Schools Grant, included payments for early rears providers.

The report also sets out the capital strategy, the proposed capital programme 2020/21 and the indicative capital programme 2020/21 – 2022/23. The report sets out the capital investment priorities and information on the funding of the programme.

- Annex 1 – the Revenue Budget 2020/21 and Medium Term Financial Strategy 2020/21 – 2024/25;
- Annex 2 – Dedicated Schools Grant (DSG) 2020/21;
- Annex 3 - Capital Strategy 2020/21 and Capital Programme 2020/21 – 2022/23.

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

- Housing Revenue Account 2020/21
- Treasury Management Strategy 2020/21

These reports are an integral part of the council's overall financial strategy and the 2020/21 budget, and individually set out a series of recommendations for approval.

1.3 The final settlement was agreed by Parliament on 24 February with no changes to what had previously been announced.

1.4 On Friday 31 January, the DfE published the outcome of the consultation on clarifying the DSG ringfence. In response the DfE stated:

*The effect of these provisions is that Local Authorities will not be permitted to fund any part of the deficit from sources other than the Dedicated Schools Grant (and any specific grants whose conditions allow them to be applied to the schools budget) without the authorisation of the Secretary of State. If a Local Authority wished to use other sources, it must apply to the Secretary of State for authorisation to disregard the new arrangements. We would not wish to place barriers in the way of Local Authorities that have used other sources to supplement the DSG for reasons such as PFI costs, or of Local Authorities who want voluntarily to use small annual sums in support of their high needs budgets.*

1.5 The changes look set to involve statutory backing through amendments to the Schools and Early Years Finance Regulations 2020 (which come into force in February 2020).

1.6 The outcome is welcome but there is, as yet, no indication of further funding. Given the position on the DSF deficit, it is proposed that a further report be presented to Cabinet early in the new financial year once more information is available.

### **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 framework
- 1.3 In setting the budget, consideration of the Housing Revenue Account and the Schools budget have been taken into considerations. Separate reports financial 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
<b>TOTAL</b>	<b>164.891</b>	<b>167.446</b>	<b>170.074</b>	<b>172.921</b>	<b>175.855</b>

\*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 Annex 1 - 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.

<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	72.050	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)
<b>TOTAL</b>	<b>138.862</b>	<b>138.205</b>	<b>(0.657)</b>

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 Annex 1 - 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 Annex 1 - 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.

<b>Spending Need Forecasts 2020-21 – 2024/25</b>					
	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
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
<b>Sub Total</b>	<b>12.674</b>	<b>9.226</b>	<b>8.232</b>	<b>8.319</b>	<b>8.550</b>
<b>TOTAL FORECAST SPENDING REQUIREMENT</b>	<b>170.053</b>	<b>179.279</b>	<b>187.511</b>	<b>195.830</b>	<b>204.380</b>

\*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.

<b>Forecast Financial Gap 2020/21 – 2024-25</b>					
	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
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)
	<b>170.053</b>	<b>174.117</b>	<b>181.882</b>	<b>189.866</b>	<b>198.416</b>
Forecast Resources	164.891	167.446	170.074	172.921	175.855
<b>FUNDING SHORTFALL/(SURPLUS)</b>	<b>5.162</b>	<b>6.671</b>	<b>11.808</b>	<b>16.945</b>	<b>22.561</b>
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
<b>Sub Total</b>	<b>(5.162)</b>	<b>(0.467)</b>	<b>(0.335)</b>	<b>0.000</b>	<b>0.000</b>
<b>CUMULATIVE FUNDING SHORTFALL/(SURPLUS)</b>	<b>0.000</b>	<b>6.204</b>	<b>11.473</b>	<b>16.945</b>	<b>22.561</b>
<b>IN YEAR SHORTFALL/(SURPLUS)</b>		<b>6.204</b>	<b>5.269</b>	<b>5.472</b>	<b>5.616</b>

- 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 Annex 1 - Appendix 3 and Annex 1 - 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.

<b>Financial Risk in the MTFS</b>	
	<b>Potential Full Year Impact</b>
	<b>£m</b>
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 councils 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 The Dedicated Schools Grant (DSG) 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 on 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 Annex 1 - 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

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%
<b>BAND D EQUIVALENTS</b>	<b>19</b>	<b>12,595</b>	<b>11,219</b>	<b>12,847</b>	<b>7,965</b>	<b>5,969</b>	<b>2,406</b>	<b>1,913</b>	<b>297</b>	<b>55,222</b>

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
<b>Decisions Already Made</b>						
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
<b>TOTAL</b>		<b>0.432</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Contractual Inflation</b>						
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
<b>TOTAL</b>		<b>5.043</b>	<b>5.299</b>	<b>5.157</b>	<b>5.399</b>	<b>5.596</b>

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
<b><i>Demand</i></b>						
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
<b>TOTAL</b>		<b>2.481</b>	<b>1.109</b>	<b>1.250</b>	<b>1.050</b>	<b>1.050</b>
<b><i>Fall Out of Time Limited Funding</i></b>						
Communities and Wellbeing	Contribution from NHS	1.585	0.000	0.000	0.000	0.000
<b>TOTAL</b>		<b>1.585</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Budget Re-Alignment</b>						
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
<b>TOTAL</b>		<b>(4.730)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

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
<b>Unachieved Savings</b>						
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
<b>TOTAL</b>		<b>2.830</b>	<b>(0.111)</b>	<b>(0.040)</b>	<b>0.000</b>	<b>0.000</b>
<b>GRAND TOTAL</b>		<b>7.641</b>	<b>6.297</b>	<b>6.367</b>	<b>6.449</b>	<b>6.646</b>

## Proposed Budget Reductions 2020/21 - 2022/23

Directorate	Proposal Description	Proposed Budget Reduction			EIA Required	Consultation Required
		2020/21	2021/22	2022/23		
		£m	£m	£m		
<b><i>New Efficiencies to Endorse</i></b>						
Communities and Wellbeing	<b>Persona Contract</b> Efficiencies within the Persona contract.	(0.611)	(0.611)	(0.611)	Yes	Yes
Communities and Wellbeing	<b>Supporting People Review</b> Recommissioning of services.	(0.177)	(0.177)	(0.177)	Yes	Yes
Communities and Wellbeing	<b>Debt Recovery</b> Introduction of more effective and efficient debt recovery processes.	(0.100)	(0.100)	(0.100)	No	No
Children and Young People	<b>School Improvement Service</b> 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	<b>Early Help Model</b> 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	<b>Procurement Review of Contracts</b> Review of supplier contracts across the service.	(0.100)	(0.100)	(0.100)	No	No
Operations	<b>Procurement Review of Contracts</b> Review of supplier contracts across the service.	(0.085)	(0.168)	(0.168)	No	No
Operations	<b>Corporate Landlord</b> Property rationalisation and maximise occupancy in core buildings.	(0.585)	(0.585)	(0.585)	No	Yes
Operations	<b>Architects Service Review</b> Review of the service including the opportunity to make greater use of capital.	(0.200)	(0.200)	(0.200)	No	Yes



## Proposed Budget Reductions 2020/21 - 2022/23

Directorate	Proposal Description	Proposed Budget Reduction			EIA Required	Consultation Required
		2020/21	2021/22	2022/23		
		£m	£m	£m		
All Services	<b>Reduction in Discretionary Payments</b> Reduction in some discretionary payments through new, and more efficient, ways of working.	(0.350)	(0.350)	(0.350)	No	Yes
All Services	<b>Supplier Review of Contracts</b> Review of supplier contracts across the council	(0.300)	(0.600)	(0.865)	No	No
<b>Sub Total</b>		<b>(2.940)</b>	<b>(3.357)</b>	<b>(3.622)</b>		
<b>Service Options – Decision Required</b>						
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
<b>Sub Total</b>		<b>(1.222)</b>	<b>(1.272)</b>	<b>(1.342)</b>		
<b>TOTAL</b>		<b>(4.162)</b>	<b>(4.629)</b>	<b>(4.964)</b>		

## Annex 1 - Appendix 4

### SECTION A

SERVICE REDUCTION OPTION	
DIRECTORATE	COMMUNITIES AND WELLBEING
DESCRIPTION	PROVIDER FEES REVIEW

#### DETAIL

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.

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.

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.

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.

	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:

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

**SECTION C**

Key Risks and Mitigations

<b>Risk</b>	<b>Mitigation</b>
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**

<b>Consultation Required?</b>	<b>Yes</b>
<b>Staff</b>	<b>No</b>
<b>Trade Union</b>	<b>No</b>
<b>Public</b>	<b>No</b>
<b>Service User</b>	<b>No</b>
<b>Other</b>	<b>Yes</b>

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

<b>Equality Impact Assessment Required?</b>	<b>Yes</b>
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## Annex 1 - 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:

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

**SECTION C**

Key Risks and Mitigations

<b>Risk</b>	<b>Mitigation</b>

**SECTION D**

<b>Consultation Required?</b>	
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<b>Staff</b>	
<b>Trade Union</b>	
<b>Public</b>	
<b>Service User</b>	
<b>Other</b>	

**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	

<b>Equality Impact Assessment Required?</b>	
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## Annex 1 - 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:

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

**SECTION C**

Key Risks and Mitigations

<b>Risk</b>	<b>Mitigation</b>
None	

**SECTION D**

<b>Consultation Required?</b>	<b>No</b>
<b>Staff</b>	<b>No</b>
<b>Trade Union</b>	<b>No</b>
<b>Public</b>	<b>No</b>
<b>Service User</b>	<b>No</b>
<b>Other</b>	<b>NO</b>

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

<b>Equality Impact Assessment Required?</b>	<b>Yes</b>
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**DEDICATED SCHOOLS GRANT (DSG) 2020/21****1 Introduction**

- 1.1 The Dedicated Schools Grant (DSG) is the ring-fenced grant from Government that provides each local authority with an allocation of funding for schools and services for pupils.
- 1.2 The DSG contains 4 blocks determined by a separate national funding formula which calculates the total funding due to Local Authorities. In considering how the DSG is allocated it is necessary to consider each block separately. This reports sets out recommendations in relation to the Schools budget for approval by Cabinet. The details set out in the report has been discussed, and agreed, by the Schools Forum.

**2 Dedicated Schools Grant**

- 2.1 In September 2019, the Chancellor of the Exchequer presented the 2019 Spending Round (SR2019) to Parliament and this included notification that, nationally, schools funding would increase by £2.6bn in 2020/21, £4.8bn in 2021/22 and £7.1bn in 2022/23. The Government also advised that the high needs funding for schools would increase by £700m nationally.
- 2.2 For schools this means that 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. For Bury, an additional £10.755m was allocated over and above the 2019/20 allocation.
- 2.3 The allocations for Bury are set out in the following table.

<b>Dedicated Schools Grant</b>	<b>2019/20 £m's</b>	<b>2020/21 £m's</b>	<b>(Increase) /Decrease in funding £m's</b>
Schools Block	122.104	129.940	(7.836)
Central Schools Services Block	0.772	0.774	(0.002)
Early Years Block	13.532	13.782	(0.250)
High Needs Block	30.542	33.209	(2.667)
<b>Total DSG</b>	<b>166.950</b>	<b>177.705</b>	<b>(10.755)</b>

- 2.4 The 4 blocks that make up the DSG are:

- ***The Schools Block***

This provides funding for individual mainstream schools and academies as well as growth funding for any planned growth in schools. It is the responsibility of the Council to propose and decide any changes to the formula which is used to allocate Schools Block DSG to all primary and secondary schools. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

- **The High Needs Block**

This provides funding for the education of pupils subject to Education, Health and care plans from age 0-25 in a range of provision including special schools, mainstream schools, alternative provision, independent specialist provision and council centrally retained expenditure for high needs support and inclusion. It is the responsibility of the local authority to propose and decide the allocation of High Needs Funding. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

- **The Early Years Block**

This provides funding for two year olds, early years funding in schools and in the Private, Voluntary and Independent (PVI) sector as well as centrally retained expenditure for under 5s. Local Authorities must pass through a minimum of 95% of funding for the universal 15 hour entitlement for 3 and 4 year olds and the additional 15 hours entitlement for 3 and 4 year old children of eligible working parents directly to settings. This means that up to 5% can be retained by the council to contribute to early years functions delivered by education services, for contingency to allow in-year funding to be provided to providers for increased early years pupil participation and for Early Years SEND inclusion funds.

It is the responsibility of the local authority to propose and decide on the allocation of early years funding. The Schools Forum and all early years providers are consulted annually and given an opportunity to give their view on the proposals.

- **The Central Schools Service Block**

This provides funding for the local authority to carry out central functions on behalf of pupils in both maintained schools and academies. The local authority proposed the spending allocations funded from the Central Services block but the final decision is made by the Schools Forum.

Central schools services including the admissions service, schools forum, school improvement and other statutory and regulatory duties.

2.5 There is limited flexibility for councils to transfer funding between the 4 blocks. For 2020/21 the Education and Skills Funding Agency (ESFA) has limited the movement between blocks to 0.5% of the total schools block allocation but only with the agreement of the schools forum. Any proposed increase on this is subject to the approval by the Secretary of State.

2.6 In 2019/20, Secretary of State approval was given to increase the allocation in Bury to 0.7% in recognition of the increase in costs on the High Needs Block. This was a one year only request and is not being requested for 2020/21.

### **3 DSG Allocation**

#### **Schools Block Funding Formula**

3.1 The Schools Block allocation for 2020/21 is £129.940m. This is an increase of £7.836m from the 2019/20 allocation.

- 3.2 In September 2017, the National Funding Formula (NFF) for Schools and Central Schools Services was introduced. Following consultation with all schools and academies, Bury applied the NFF with effect from 1 April 2018 with the Secondary Schools opting to move to this immediately and Primary Schools taking a 3 year phased approach. From 2020/21, the national funding formula will be applied to all schools in Bury as previously agreed.
- 3.3 The Schools Forum has considered the allocation of the Schools Block and have made their recommendations. These have been applied to the formula used to determine individual school allocations and ensure full compliance with statutory requirements. A full summary is set out at Annex 2 - Appendix 1 and these are recommended for approval by Cabinet.
- 3.4 It is worth noting that the Schools Forum is recommending that the Primary sector Lump Sum is phased over a two year period due to the number of primary schools adversely affected through other NFF factor changes. The phased reduction is £125,000 to £120,000 in 2020/21 followed by a transition to the NFF value of £115,023 from 2021/22. The Schools Block funding increase provided for 2020/21 ensures this transition is able to be applied.
- 3.5 In addition to the schools block funding, additional external funding is available directly for schools and academies. It should be noted that these are estimated figures, based on 2019/20 actuals and are subject to January/October 2020 pupil census and other data updates. A summary is set out in the following table.

<b>Estimated external Funding available to schools and academies in 2020/21</b>	
	<b>£m</b>
Pupil Premium Grant	9.108
Universal Infant Free School Meals Grant	2.369
Primary PE and Sport	1.147
Year 7 Catch Up Grant	0.195
Teacher's Pay Grant	1.473
Teacher's Pension Grant	4.909
Devolved Formula Capital	0.742
<b>TOTAL</b>	<b>19.943</b>

- 3.6 The Teachers Pay Grant is provided to schools and academies to cover increased costs of nationally determined teachers' pay awards above 1% but does not cover costs associated to teachers employed directly in local authority support services.
- 3.7 The DfE also introduced the Teachers' Pension Grant with effect from September 2019 for schools and academies to fund the significant increase to their employer's pension contributions applicable. Unlike the Teachers Pay Grant the Department for Education (DfE) have included teachers employed directly by the local authority in central support services in the distribution of the Teachers' Pension Grant.
- 3.8 The Teachers pay grant for 2020/21 will not increase in line with the proposed teachers' pay award given the increased funding already made available to schools through the 4% increase to formula funding factors.

- 3.9 Both the Teachers Pay and Pensions grant are likely to be rolled into the schools formula funding mechanism with effect from 2021/22. This will be subject to DfE consultation during 2020.

### Early Years Block National Funding Formula

- 3.10 Early Years funding to providers is based on hourly rates for eligible 2, 3 and 4 year olds accessing their entitlement to free early education. The hourly funding rate applied to 3 and 4 year olds must also meet a minimum level of an average across all providers of at least £4.16 per hour.
- 3.11 The hourly rate determined must include a universal base rate and a mandatory supplement for deprivation applied to all providers. Any supplements must not be more than 10% of the total hourly rate funding to providers.
- 3.12 Up to 5% of the 3 and 4 year old funding may be retained by the council to contribute to central early year's functions, contingency for in-year increases to early year's pupil participation in settings and for Early Years SEND Inclusion Fund.
- 3.13 The 2 year old funding rate allocated is higher in order to contribute to funding the greater staffing ratios required and associated costs of supporting 2 year old children. The 2 year old aspect does not include any mandatory supplements and is not subject to the 95% pass-through requirement.
- 3.14 The Early Years block for 2020/21 continues to include the Maintained Nursery School (MNS) funding protection which is allocated as an additional lump sum outside of the universal hourly rates used.
- 3.15 Bury's hourly rate for early year's provision is higher than the minimum set out by the Government. It is however proposed that the additional allocation in the settlement, equivalent to £0.08 be added to the 2019/20 rate. In accordance with the statutory requirements Council is required to approve the hourly rates applicable with effect from 1 April 2020, recommended by Schools' Forum. These are set out in the table below.

<b>Early Years Allocation of Funding Per Hour</b>	
<b>Factor</b>	<b>2020/21 Allocation Per Hour (£)</b>
Universal rate allocated to all providers	4.08
Deprivation Supplement (average)	0.16
Central Provided Services (3%)	0.14
<b>Total for 3 and 4 year olds</b>	<b>4.38</b>

*Note: The deprivation allocation above is an average and may vary to individual settings as their actual amount is determined according to the latest deprivation indices for all children on roll according to their home postcode.*

<b>Early Years Allocation of Funding Per Hour</b>	
<b>Factor</b>	<b>2020/21 Allocation Per Hour (£)</b>

Universal rate allocated to all providers	5.28
Deprivation Supplement	n/a
Central Provided Services (5%)	n/a
<b>Total for 2 year olds</b>	<b>5.28</b>

3.16 The hourly rates proposed ensure the full increased funding provided through the Early Years Block of 8 pence per hour for 2020/21 is allocated directly to all Early Years providers through their funding allocations based on actual numbers on roll and hours of pupil participation in their settings.

### **High Needs DSG Budget Allocation**

3.17 The 2020/21 allocation for High Needs DSG is £33.209m. This represents a £2.667m increase in the 2019/20 allocation.

3.18 High Needs funding is based on SEND pupil numbers at October 2019 in mainstream, special and resources provision maintained schools and academies, and SEND pupil numbers at January 2020 in independent provision.

3.19 Of the total allocation of £33.209m, the ESFA will allocate around £3.7m direct to Academies and Further Education (FE) establishments for high needs places. The funding remaining for the council to manage is therefore £29.509m to fund all in-borough and out-borough provision and specialist support for SEND and inclusion priorities.

3.20 The Quarter 3 monitoring reported to Cabinet shows a projected cumulative deficit of £18m on the High Needs DSG reserve which is £3.369m higher than at the end of 2018/19. The in-year overspend is due to increased spend on addressing the strategic priorities to develop and enhance in-borough specialist provision. This increase in the deficit was anticipated and forms part of the DfE and Schools Forum approved 5 year deficit recovery plan. Further information on the recovery plan is set out later in the report.

### **Central Schools Services DSG**

3.21 The allocation of the Central School Services DSG (CSSB) block is £0.774 in 2020/21. This represents a small increase on the 2019/20 budget (£0.002m). The use of the CSSB is one for the Schools Forum to decide based on proposals from the council in respect to funding ongoing responsibilities and central functions undertaken on behalf of schools and academies. .

## **4 DSG HIGH NEEDS RECOVERY PLAN**

4.1 Costs of high needs have exceeded the available budget for a number of years and the forecast position on the DSG reserve is a cumulative deficit of £18m by the end of 2019/20. This is £3.369m higher than at the end of 2018/19. The deficit has accrued for a number of reasons including an increasing number of pupils receiving Education, Health and Care Plans

(EHCPs), increasing complex needs, increasing costs of provision, increased numbers of pupils in out of borough placements.

- 4.2 The funding in 2020/21 has increased by £2.677m and it is anticipated that this, in addition to the work agreed in the recovery plan, will help to reduce the cumulative deficit. The table below sets out the detail of the recovery plan, as agreed with the DfE and the Schools Forum.

<b>DSG High Needs Recovery Plan 2018/19 – 2023/24</b>						
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>DSG Balance Brought Forward</b>	<b>11.130</b>	<b>14.630</b>	<b>19.080</b>	<b>20.780</b>	<b>20.380</b>	<b>18.880</b>
Out-Borough Pressures and Investment in SEND provision and priorities in-borough	3.500	3.500	3.000	2.000	2.000	2.000
Schools & Academies EHCP Top-Ups	0.450	2.300	3.000	2.500	2.500	2.500
SEN Support & Inclusion - Reduced out of borough placements	0.000	-0.500	-1.400	-1.400	-2.000	-2.000
SEN Support & Inclusion - Annual Service Efficiencies / Savings	0.000	0.000	-0.200	-0.500	-0.500	-0.500
DSG Schools Block Transfer	0.000	-0.900	0.000	0.000	0.000	0.000
Additional High Needs Funding	-0.450	-0.450	0.00	0.000	0.000	0.000
High Needs National Funding Formula increase	0.000	0.000	-2.700	-4.000	-5.000	-5.000
<b>Deficit Balance C/fwd estimate</b>	<b>14.630</b>	<b>18.580</b>	<b>20.780</b>	<b>19.380</b>	<b>17.380</b>	<b>15.880</b>

- 4.3 Outcomes of a national major review into High Needs provision and funding, to be commissioned by the DfE (launch date currently unknown), will be factored in to the future strategic priorities and recovery plan profile in due course.
- 4.4 Based on the information available it is forecast that the DSG reserve will remain in deficit for a number of years – currently projecting a cumulative deficit of £15.8m by the end of 2023/24. Work is underway to bring this down further and updates will be provided as part of the quarterly monitoring process.
- 4.5 The recovery plan has been accepted by the Department for Education (DfE) as an initial plan subject to further monitoring and evidence linked to actual delivery of the SEND priorities related to it.
- 4.6 DfE accept that the cumulative deficit may take a longer period to recover and are looking at how further support to LAs may be provided in future years, including targeted DSG to areas struggling to recover the deficit. The additional funding announced as part of SR2019 may be an indication that additional funding to address this issue may be available in future years. This is however not confirmed and cannot be relied on.
- 4.7 The DfE has just announced the outcome of its consultation on DSG balances and is removing the link between the council's general



reserves and DSG deficit balances. The detail on the outcomes of the consultation is currently being considered and more updates will be available at the meeting. Whilst this removes the risk from councils, the expectation that the deficits are managed as part of the DSG budget needs to be considered and still needs to be addressed.

**DSG– Schools Block Allocation**

<b>Funding Unit Values recommended to Cabinet by the Schools Forum</b>			
<b>Factor</b>	<b>Sub-level</b>	<b>2019/20</b>	<b>2020/21</b>
		<b>£</b>	<b>£</b>
Basic Entitlement Age Weighted Pupil Unit (AWPU)	Primary	2,858	<b>2,873</b>
	Key Stage 3	3,860	<b>4,040</b>
	Key Stage 4	4,380	<b>4,586</b>

<b>Deprivation – Amount Per Pupil</b>			
<b>Factor</b>	<b>Sub Level</b>	<b>2019/20 Per Pupil</b>	<b>2020/21 Per Pupil</b>
		<b>£</b>	<b>£</b>
Free School Meals - Ever 6	Primary	395	<b>563</b>
	Secondary	785	<b>819</b>
Free School Meals	Primary	315	<b>452</b>
	Secondary	440	<b>452</b>
Income Deprivation Affecting Children Indices (IDACI) - Primary (Amount Per Pupil)	IDACI F	200	<b>211</b>
	IDACI E	260	<b>251</b>
	IDACI D	373	<b>377</b>
	IDACI C	460	<b>407</b>
	IDACI B	547	<b>437</b>
	IDACI A	718	<b>603</b>
Income Deprivation Affecting Children Indices (IDACI) - Secondary (Amount Per Pupil)	IDACI F	290	<b>302</b>
	IDACI E	390	<b>407</b>
	IDACI D	515	<b>538</b>
	IDACI C	560	<b>583</b>
	IDACI B	600	<b>628</b>
	IDACI A	810	<b>845</b>

## DSG– Schools Block Allocation

## Annex 2 Appendix 1

Funding Unit Values recommended to Cabinet by the Schools Forum				
Factor		Sub-level	2019/20 Per Pupil	2020/21 Per Pupil
Additional Education Needs Factors – Amount Per Pupil			£	£
Low cost, high incidence SEND	Low Prior Attainment		726	<b>1,071</b>
			1,550	<b>1,619</b>
English as an Additional Language (EAL)	Primary		365	<b>541</b>
	Secondary		1,385	<b>1,448</b>
Mobility	Primary		500	<b>880</b>
	Secondary		0	<b>1,257</b>

School-Led Factors		Amount per School	
		2019/20	2020/21
		£	£
Lump Sum	Primary	125,000	<b>120,000</b>
	Secondary	110,000	<b>115,023</b>

**CAPITAL STRATEGY 2020/21 – 2022/23****1 INTRODUCTION**

- 1.1 In line with good practice, the Capital Strategy forms part of the council's strategic and financial planning framework and provides a framework within which the council's capital investment plans will be delivered. The capital strategy 2020/21 – 2022/3 has been prepared to cover a 3 year period initially though it is expected that this will be extended to a 5 year time frame in line with the council's medium term financial strategy. The current approach recognises the uncertainty, especially in relation to funding in future years.
- 1.2 The format of the Capital Strategy reflects the Prudential and Treasury Management Codes issued by CIPFA in 2017 which require councils to prepare a capital strategy and include specific information within it. The strategy therefore includes:
- A high-level, long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
  - An overview of how the associated risk is managed;
  - The implications for future sustainability
  - The proposed capital programme 2020/21 – 2022/23
  - Financing the capital programme
- 1.3 The Capital Strategy is prepared to ensure members are fully aware of the overall long term capital investment objectives, capital strategy requirements, governance arrangements and risk appetite. The strategy cannot be viewed in isolation and links directly to the medium term financial strategy, the treasury management strategy and the asset management plan.
- 1.4 Our commitment to an integrated approach impacts on how our capital programme is developed and priorities with an organisation-wide approach to determining our capital investment priorities, rather than being determined by individual services. This aims to ensure our scarce resources are used in the most effective way and supports our corporate priorities:
- Putting people first – using inclusive growth to improve life chances
  - Raising aspirations – investing in culture and community capacity
  - Building on strengths – Local delivery models driving public sector reform
  - Committing to carbon neutral – combatting climate change through new ways of working
  - Strengths based delivery – protecting the vulnerable and safeguarding our future through reshaping services and support
  - Being bold for Bury – Local planning for a safe, prosperous and happy place to be, throughout the borough
- 1.5 A refresh of the strategy will be carried out during 2020/21 to reflect any changes in priorities and outcomes identified as part of the Bury 2030 strategy. These will be reflected in the strategy and resulting capital

programme from 2021/22 onwards. The current strategy reflects the current priorities and outcomes.

## **2 CAPITAL RESOURCES**

- 2.1 When assessing the level of planned capital investment to undertake we make a judgement about the level of capital resources that are likely to be available over the period of the programme. Our main capital resources are service specific grants, third party contributions, capital receipts, lease finance and borrowing.
- 2.2 Historically the Capital Programme has not required any additional borrowing by the Council. This is no longer considered a sustainable position and borrowing is likely to be a key source of funding for new schemes in the future. In developing the capital programme, any revenue costs needed to support potential borrowing have been identified and reflected in the council's MTFS.

### **Central Government Allocations and External Grants and Contributions**

- 2.3 Some capital projects are financed through the allocations received directly from the Government Departments or external grants and contributions which are mostly specific to projects and cannot be used for other purposes. Examples of these would include the allocations for schools, highway maintenance or Disabled Facilities grants from Central Government.
- 2.4 Grants from external organisations are a valuable source of capital finance for the Council and have enabled the Council to realise a substantial number of Capital developments in the past that would otherwise have been unable to progress.
- 2.5 The Council will continue to explore cost effective opportunities for grants from external bodies. However support through grants cannot be accurately predicted and therefore the Council recognises that it cannot depend on this source. The Council will also ensure that exit strategies are prepared in the case of on-going projects funded through external support, in the event of the support being withdrawn.

### **Capital Receipts**

- 2.6 The Council generates capital resources through the sale of surplus land and buildings. The short to medium term asset sales are forecast to be minimal and as a result, the ability of the Council to fund investment from within its own funding remains limited.
- 2.7 The Council will continue to pool both Housing and General Capital Receipts to reflect its commitment to a priority-led approach to the allocation of resources and continue to maintain a policy of not ring-fencing the use of capital receipts to fund new investment in specific schemes or service areas. However it does recognise that exceptionally there will be instances in which it will be necessary to earmark receipts to particular schemes and if earmarking is necessary then a report will be taken to the Cabinet for consideration of the specific circumstances.
- 2.8 From April 2016 the government introduced the flexibility for capital

receipts to be used to fund revenue expenditure which meets certain criteria. To meet the qualifying criteria the revenue expenditure needs to be related to activity which is designed to generate ongoing revenue savings or to transform a service which results in revenue savings on improvements in the quality of service provision. Local authorities are only able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use the existing stock of capital receipts to finance the revenue costs of service reform. There are no proposals to use capital receipts to fund transformation at this stage though it is important that the option to do so is acknowledged.

## **Borrowing**

- 2.9 From 1 April 2004 authorities have had the discretion to borrow in line with the CIPFA Prudential Code which is known as 'Unsupported Borrowing' and outside the Government's control who will no longer support Authorities with a provision in the Revenue Budget to meet the capital financing costs that arise from this level of borrowing.
- 2.10 The Council can make use of the opportunity for the Prudential Borrowing where it is most cost effective and as long as its capital investment plans are affordable, sustainable and prudent. It hence makes a choice on whether revenue resources are used to fund direct service delivery or reserved to finance costs of borrowing for capital investment.
- 2.11 The Council will consider the use of unsupported borrowing in two particular circumstances:
- **Discretionary unsupported Schemes** – where individual services can meet the full borrowing, and other revenue, costs from within existing resources and where the related expenditure meets with Council ambitions/priorities and would not be able to proceed through and other funding source. Any such schemes must be specifically approved by the Cabinet or Council and be supported by a detailed Business Case.
  - **Invest to Save schemes** – where pump priming assistance is required but overall, costs are met from additional revenue/capital income or savings generated by the scheme. Pump priming can be funded from unsupported borrowing or from slippage/internal resources. Again, the specific approval of the executive will be needed before any such schemes proceed.

## **Revenue Contributions and Reserves**

- 2.12 The Council can also use revenue resources to fund capital projects, although revenue budgets have come under increased pressure over recent years thus limiting in a significant measure the revenue contribution resource. The proposed capital programme requires borrowing and the cost of borrowing to support the 2020/21 has been factored into the 2020/21 budget. Any requirements beyond this will need to be factored into the MTFs. The Council may also finance some capital schemes from reserves such as S106 set asides.

## Lease financing

- 2.13 The Council has traditionally used funding by way of leases to mainly acquire or use vehicles and grounds maintenance equipment where the revenue budget did not allow for a full capital repayment and there was a robust business case for the option of leasing to be considered. The future funding of vehicles will be considered on a case by case basis with the most cost effective method used.
- 2.14 By 2022 the Council will need to replace all of its vehicles and equipment held currently on operational leases and a strategy to cover replacement over the next seven years is being drawn up in the services involved. This is a key component of the proposed capital programme for 2020/21 with the replacement of waste vehicles an identified priority.

## 3 CAPITAL SPEND PROPOSALS

- 3.1 The council's capital programme 2020/21 – 2022/23 is set out at Annex 3 Appendix 1. The proposed programme takes account of the latest monitoring position on the 2019/20 capital programme including any identified slippage and schemes proposed to be carried forward into future years. In addition to this a number of new schemes are proposed for inclusion in the programme.
- 3.2 The proposed capital programme is focused around some main themes that align to the Council's objectives and outcomes including:
- Regeneration of key areas within the borough
  - Sport and Leisure
  - Operational Fleet
  - Housing
  - Highways
  - Children and Young People, including schools
  - ICT and Digital
  - Estate Management
- 3.3 The key areas of investment proposed for 2020/21 are:
- **Replacement of the vehicle fleet.** This includes replacement of the waste management fleet as well as other vehicles used across a range of services. The programme is phased over a 3 year period during which the most suitable method of procurement will be considered. Vehicles are currently leased and are funded from revenue budgets which may be available to support any borrowing in future years should the most cost effective method be to purchase rather than lease. These revenue budgets have not been considered at this stage.
  - **Regeneration** A significant amount of regeneration works has been assumed covering all major sites across the council. This work includes funding brought forward from the 2019/20 financial year.
  - **Highways** Continued investment in highways services. This is in line with commitment made when the 2019/20 capital programme was set.

- **Cycle Ways** The council has the opportunity to spend up to £10m of grant funded income from the Greater Manchester Combined Authority to support greater use of cycle ways and to promote greater use. Full utilisation of the funding in 2020/21 has been assumed.
- **Education** Anticipated grant income for schools related expenditure has been assumed. Final grant allocations have yet to be announced and indicative figures have been used. These will be adjusted once the final allocations have been made available.
- **Sports and Leisure** Investment in external sites, including parks, as well as leisure centre is assumed within the capital programme to promote healthier lifestyles and wellbeing.
- **Housing** Use of the housing revenue account to promote housing growth has been assumed, all of which will be funded from within the HRA.

3.4 Total expenditure in 2020/21 is planned at £51.101m however the position is likely to evolve as:

- There may be further government funding allocations announced prior to the start of the 2020/21 financial year;
- It is likely that new initiatives will be announced later in the financial year;
- There may be the opportunity to bid for additional funding;
- The council may identify other funding sources, including capital receipts, to finance additional capital expenditure.

3.5 Therefore the capital programme position will be kept under review and any new information about funding allocations will be presented to members in future reports.

3.6 In recent years the programme was based on fully funded schemes and a reduced call on Council's own resources through prioritisation methods that are under continuous development. This is no longer considered sustainable in light of the pressures on the council's finances and reduced reserves. Within the proposals is a requirement to fund £15m of investment through borrowing. In recognition of this, a total of £1.5m capital financing costs has been built into the revenue budget from 2020/21 onwards.



## 4 Funding the Capital Programme

4.1 The draft programme is proposed to be financed as follows:

<b>Financing the Capital Programme 2020/21 – 2022/23</b>				
	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>TOTAL</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Gross Cost	51.101	39.803	40.158	131.062
Financed By:				
Grants / External Funding	14.978	2.339	2.339	19.656
HRA Headroom reserve	9.830	10.000	10.000	29.830
Capital Receipts Reserve	0.609			0.609
Borrowing –Prudential	25.684	27.464	27.819	80.967
<b>TOTAL</b>	<b>51.101</b>	<b>39.803</b>	<b>40.158</b>	<b>131.062</b>

4.2 From the table above it is evident that there is reliance on a significant amount of borrowing in future years. The affordability of such borrowing will be subject to consideration at the point at which the budget for that financial year is set. The council will however work to ensure that the level of borrowing required is reduced as much as possible and that we maximise the use of capital receipts, grant and other external income and also use any existing revenue budgets that may not be needed should there be a shift away from leasing to borrowing, i.e. in the case of vehicle replacement.

## 5 PRIORITISING, MANAGING, MONITORING, REPORTING AND EVALUATING THE CAPITAL PROGRAMME

### Prioritising Capital Resources

5.1 The Council has continued to embrace the concept of Asset Management and the need to ensure that investment within the Borough maintains and develops assets 'fit for purpose'. It will work to ensure that future investment delivers the ambitions and priorities in the Bury Plan. It has been long demonstrated that the demands for capital investment tend to exceed available resources. To alleviate this, a robust mechanism is in place to assess schemes against key criteria and assist in decision prioritisation for use of capital resources. New capital gateway processes are currently being developed and will be implemented during 2020/21.

5.2 The scrutiny of capital schemes proposed will take place through the combined work of members and officers, Joint Executive Team and with final decisions for budget setting being taken by the full Council in February each year.

5.3 The Council has in place a comprehensive capital bidding mechanism through which information on the strategic fit, partnership working, revenue consequences, funding profile, statutory drivers and critical success factors are collected for all schemes. The capital bidding mechanism ensures that new capital projects are appraised on a consistent basis and are aligned

with the priorities set out in the Bury Plan.

- 5.4 Preparation of the Capital Programme is undertaken in two stages. Firstly, scheme bids are placed into the following categories:
- 100% funded schemes
  - Discretionary schemes (Invest to Save)
- 5.5 In line with the priority-led approach previously approved by Executive it is assumed that Members will wish to support the inclusion of schemes that fall into the first category, although this assumption is tested regularly and Members are free to exercise discretion over the inclusion of any scheme (or scheme funding).
- 5.6 The second stage involves assessing the extent of any resources that are available to fund new, discretionary schemes and then using a simple quantifiable scoring model that assesses the extent to which schemes reflect national and local priorities, generate revenue savings/costs and lever in additional external resources.
- 5.7 The Council's priorities form the framework for the prioritisation of capital investment for the Capital Programme. By using this prioritisation process on an annual basis to decide the Capital programme for the following year, it allows the review of the whole 3 year rolling capital programme. This review of schemes allows the addition, withdrawal or deferral of capital investment resulting ensuring available capital resources are focused on corporate priorities.
- 5.8 Reviewing the Capital Programme is an on-going process and in the past several years available resources have been reducing constantly due to new identified funding requirements and a slowdown in available suitable for disposal surplus assets.
- 5.9 The Asset Management process provides a comprehensive and rigorous assessment of the Council's assets, their potential use and performance which assists in enhancing and strengthening the process of prioritising investments within the Council.
- 5.10 The Council is currently projecting investment gaps in the next two years and beyond. The combined processes of prioritisation, different procurement and delivery options, remain central to delivering this Capital Strategy.

## **6 Monitoring and Reporting on the Capital Programme**

- 6.1 The Capital Programme is monitored regularly throughout the year by the corporate Capital Programme Management Group, and a summary financial monitoring report is submitted quarterly to the Joint Executive Team, the Cabinet and Full Council. This report presents detail of spend, potential re-profiling of the programme and any significant changes in funding assumptions, especially the level of asset disposals which are always critical for the delivery of the Capital Programme.

## **7 PERFORMANCE MEASUREMENT AND EVALUATION**

- 7.1 The Council has for many years adopted a long-term approach to capital investment, with capital schemes and priorities often being implemented over a number of years.
- 7.2 The Council will continue to develop a monitoring and evaluation process, which will focus on the results/impact of any investment made. An outcomes focussed monitoring approach will be included in future monitoring reports.
- 7.3 All capital schemes will be managed using the Bury project management methodology and programme management will be undertaken through the Capital Programme Management Group. These processes will be updated as part of the new Gateway processes that are currently being developed and implemented from 2020/21.
- 7.4 In line with the project Management Methodology, post-completion reviews on Capital Programme projects are undertaken to assess whether the intended objectives were achieved and whether potential improvements can be identified for the future.
- 7.5 The Capital Programme Monitoring Group meets regularly to monitor the Programme and monitoring reports are considered by the Joint Executive Team, Cabinet and Scrutiny Panels on a quarterly basis. Should intervention action be required this will be undertaken immediately and may include a moratorium on other scheme starts, facilitation of further capital receipts or the use of additional borrowing (subject to revenue resources being available).
- 7.6 Risk based parameters are incorporated into the monitoring process so that schemes of highest risk (in terms of spending against budget and/or spending profile) receive highest attention.

## **8 RISK MANAGEMENT**

- 8.1 There are three main risks recognised as inherent in the Capital Strategy recommended above:
  - **Capital receipts are not realised to the level anticipated above.** This is a major risk and is one that has impacted on past programmes. To maintain this low risk it is strongly recommended that schemes reliant on capital receipts do not begin until there is a high degree of certainty that the relevant receipt will materialise.
  - **Future rise in Interest Rates.** Planning for Prudential Borrowing can be affected by rises in interest rates making the borrowing option less attractive as a funding option and putting at risk longer term large capital schemes.
  - **Schemes need re-profiling from one year to the next.** This is considered a normal feature of capital schemes and can occur for a large number of reasons. The risk can be mitigated by slipping corresponding resources between years and is not felt to be high. It is expected that the new Capital Gateway processes will improve the profiling of expenditure and also the delivery of schemes in line with expectations.

- **Scheme costs increase.** Whilst not unusual, increased costs that can occur due to a number of factors cannot be mitigated without an impact on other schemes within the Programme or an impact on future years' resources. The risk can be reduced by the use of sound costing techniques, effective project management and monitoring schemes using a risk assessment approach.

2020/21 – 2022/23 Capital Programme						
Capital Programme						
	Slippage brought forward	New schemes 2020/21	Total Cost	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m	£m
<b>Regeneration and Economic Growth</b>						
Radcliffe	0.000	5.250	5.250	0.200	0.950	4.100
Prestwich	0.000	6.200	6.200	0.550	0.850	4.800
Ramsbottom	0.000	1.450	1.450	0.200	1.170	0.080
Bury	0.000	8.125	8.125	1.980	2.945	3.200
Bradley Fold	0.000	5.200	5.200	0.200	1.400	3.600
Refurbishment of Bury Market	0.900	0.000	0.900	0.900	0.000	0.000
<b>Sub Total</b>	<b>0.900</b>	<b>26.225</b>	<b>27.125</b>	<b>4.030</b>	<b>7.315</b>	<b>15.780</b>
<b>Sports and Leisure</b>	<b>0.000</b>	<b>6.339</b>	<b>6.339</b>	<b>2.611</b>	<b>2.306</b>	<b>1.422</b>
<b>Operational Fleet</b>	<b>0.000</b>	<b>10.000</b>	<b>10.000</b>	<b>7.000</b>	<b>2.000</b>	<b>1.000</b>
<b>ICT and Digital</b>	<b>3.041</b>	<b>3.174</b>	<b>6.215</b>	<b>5.015</b>	<b>1.200</b>	<b>0.000</b>
<b>Highways</b>						
Cycle and Walking Routes	0.000	10.000	10.000	3.000	4.000	3.000
Highways	0.000	11.662	11.662	5.296	2.682	3.684
Street Lighting	5.000	0.000	5.000	2.000	2.000	1.000
Traffic Calming and Improvement	0.517	0.000	0.517	0.517	0.000	0.000
<b>Sub Total</b>	<b>5.517</b>	<b>21.662</b>	<b>27.179</b>	<b>10.813</b>	<b>8.682</b>	<b>7.684</b>

2020/21 – 2022/23 Capital Programme

Capital Programme

	Slippage brought forward	New schemes 2020/21	Total Cost	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m	£m
<b>Children and Young People</b>	<b>9.322</b>	<b>9.450</b>	<b>18.772</b>	<b>8.450</b>	<b>6.800</b>	<b>3.522</b>
<b>Estate Management</b>	<b>0.000</b>	<b>4.000</b>	<b>4.000</b>	<b>1.750</b>	<b>1.500</b>	<b>0.750</b>
<b>Communities and Wellbeing</b>						
Older People	0.588	0.000	0.588	0.588	0.000	0.000
Disabled Facilities Grant	0.855	0.000	0.855	0.855	0.000	0.000
Other	0.159	0.000	0.159	0.159	0.000	0.000
<b>Sub Total</b>	<b>1.602</b>	<b>0.000</b>	<b>1.602</b>	<b>1.602</b>	<b>0.000</b>	<b>0.000</b>
<b>Housing Public Sector</b>	<b>0.000</b>	<b>29.830</b>	<b>29.830</b>	<b>9.830</b>	<b>10.000</b>	<b>10.000</b>
<b>TOTAL</b>	<b>20.382</b>	<b>110.680</b>	<b>131.062</b>	<b>51.101</b>	<b>39.803</b>	<b>40.158</b>

**ADVICE FROM THE ASSISTANT DIRECTOR OF LEGAL & DEMOCRATIC SERVICES AND JOINT CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

This note sets out in some detail Members' individual responsibilities to set a legal budget and how Members should approach the task. It also reminds Members about the rules concerning interests. The paper concludes with specific legal advice over aspects of the budget which potentially give rise to difficulties.

**2. WHEN THE BUDGET MUST BE SET**

Under Section 32 of the Local Government Finance Act 1992, budget calculations have to be made before 11th March (but they are not invalid merely because they are made on or after 11th March). The Localism Act 2011 includes amendments to the 1992 Act and requires the Council to calculate a Council Tax Requirement for the year, due to the referendum provisions if the Council Tax is increased above a prescribed level. However, delay in setting the Council Tax will have very serious financial consequences. It will render the Council vulnerable to legal proceedings requiring it to set the tax. In any event, it is important that the tax is set well in advance of 1st April as no sum is payable for Council Tax until 14 days after the date of posting bills. Serious financial losses will accrue very soon from a late setting of Council Tax as income is delayed and interest is foregone. An important feature of Council Tax is that the statutory budget calculation must be followed exactly. If not, the Council Tax resolution will be invalid and void.

**3. NOTICE**

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

**4. COUNCIL TAX REFERENDUM**

Under the provisions of the Local Audit & Accountability Act, The Secretary of State has the power to require any billing or precepting Authority which sets an excessive Council Tax increase to hold a public referendum. Any authority planning an excessive council tax increase will be required to prepare a 'shadow budget' based on the maximum non-excessive council tax increase allowed and they will also be required to inform the Secretary of State by notice.

The legislation requires the authority proposing any excessive increase ('the relevant authority') to prepare supporting factual material setting out the proposed council tax increase and budget, the comparative non-excessive Council Tax rise and shadow budget, and the estimated cost of holding the referendum. If a proposed rise in council tax were rejected, the relevant authority would immediately adopt the shadow budget and transfers from the Collection Fund would be reduced accordingly. It would also be required to inform the Secretary of State by notice. The billing authority would be able to issue new bills immediately, offer refunds at the end of the year or allow credits against liability in the following year. However, consistent with existing legislation, billing authorities will be required to refund (and re-bill) any local resident who requests this.

### **5. MEMBERS' FIDUCIARY DUTIES**

The obligation to set a balanced budget at the start of every year is shared equally by each individual Member. In discharging that obligation, Members owe a fiduciary duty to the Council Taxpayer. The budget must not include expenditure on items which would fall outside the Council's powers. Expenditure on lawful items must be prudent, and any forecasts or assumptions such as rates of interest or inflation must themselves be rational. Power to spend money must be exercised bona fide for the purpose for which it is conferred and any ulterior motives risk a finding of illegality. In determining the Council's overall budget requirement, Members are bound to have regard to the level of Council Tax. The interests of the Council Taxpayer must be balanced against those of the various service recipients. Within this overall framework, there is of course considerable scope for discretion. Members will bear in mind that in making the budget, some commitments are being entered which will have an impact on future years. Some such commitments are susceptible to change in future years, such as staff numbers which are capable of upward or downward adjustment at any time. Other commitments however impose upon the Council future obligations which are binding and cannot be adjusted, such as loan charges to pay for capital schemes.

Only relevant and lawful factors may be taken into account and irrelevant factors must be ignored. A Member who votes in accordance with the decision of his or her political group, but who does so after taking into account the relevant factors and professional advice, will be acting within the law. Party loyalty and party policy are capable of being relevant considerations for the individual Member provided the member does not simply follow the party line without considering the relevant factors and professional advice and without properly exercising any real discretion.

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

### **6. ARREARS OF COUNCIL TAX AND VOTING**

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

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



## Appendix A

Members should note the following points:

(i) These rules are extremely wide in scope. Virtually any Council decision which has financial implications is one which might affect the making of the budget underlying the Council Tax for next year and thus is caught.

(ii) The rules do not apply just to full Council meetings but extend to committees and sub-committees of the Council.

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

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

(iv) Members will have a defence under section 106 if they did not know that the section applied to them (i.e., that they were in arrears to the relevant extent) at the time of the meeting. Thus unwitting Members who for example can prove that they did not know and had no reason to suppose at the time of the meeting that their bank has failed to honour a standing order will be protected should any prosecution arise.

(v) It is not enough to state that a benefit application has been submitted which has not yet been determined, as Members remain liable to pay pending determination.