

REPORT FOR DECISION

Agenda

Item

MEETING:	CABINET
DATE:	29 JULY 2020
SUBJECT:	THE COUNCIL'S FINANCIAL POSITION – 2019/20 OUTTURN
REPORT FROM:	LEADER OF THE COUNCIL
CONTACT OFFICER:	MIKE WOODHEAD, JOINT CHIEF FINANCIAL OFFICER
TYPE OF DECISION:	KEY DECISION
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain
SUMMARY:	<p>This report sets out the final financial position for the council for 2019/20. The report sets out the position for both revenue and capital and provides an analysis of the variances, both under and overspending.</p> <p>A separate report setting out the treasury management outturn position will be presented to Cabinet in September.</p>
	Cabinet is asked to:

<p>OPTIONS & RECOMMENDED OPTION</p>	<ul style="list-style-type: none"> • Note the final overspend on the 2019/20 revenue budget of £5.003m and that this includes a higher than anticipated contribution to the pooled fund of £10.5m; • Note that the additional contribution to the pooled fund was agreed at the end of the last financial year as a mechanism of accessing additional funding for the CCG and that this will be offset by a lower contribution, of the same value, in 2020/21; • Approve the allocation from reserves of £0.850m and note that this is factored into the out-turn position; • Note the final position on the collection fund; • Note the final position on reserves of £55.561m at the end of 2019/20; • Note expenditure of £32.686m on capital programmes during the year and the outcomes achieved; • Note the slippage of £18.373m and approve that this can be carried forward and added to the 2020/21 capital programme. • Note that the final treasury management outturn report will be presented to Cabinet in September 2020.
<p>IMPLICATIONS:</p> <p>Corporate Aims/Policy Framework:</p>	<p>The proposals accord with the Policy Framework</p>
<p>Statement by Section 151 Officer:</p>	<p>The financial implications are set out in the report.</p>
<p>Equality/Diversity implications:</p>	<p>No</p>
<p>Considered by Monitoring Officer:</p>	<p>Yes</p>
<p>Are there any legal implications?</p>	<p>No</p>

Staffing/ICT/Property:	No
Wards Affected:	All
Scrutiny Interest:	Overview and Scrutiny Committee

TRACKING/PROCESS

DIRECTOR:
MIKE WOODHEAD

Joint Executive Team	Cabinet Member/Chair	Ward Members	Partners
	Yes		
Scrutiny Committee	Cabinet	Committee	Council
	29 JULY 2020		

THE COUNCIL'S FINANCIAL POSITION – 2019/20 OUTTURN

1 PURPOSE OF THE REPORT

- 1.1 This report outlines the outturn financial position of the council at the end of 2019/20. The report sets out the position for both revenue and capital and provides an analysis of the variances, both under and overspending.
- 1.2 The report sets out the impact on the council's reserves and provides context for a reserves strategy that will ultimately provide greater oversight and control over reserves in future years at a time of great financial uncertainty.

2 SUMMARY

- 2.1 The council's budget overspent by £5.003m representing 3.60% of the annual budget. Included in the overspend is a higher than planned contribution to the pooled fund that was agreed in March 2020 and the application of £3.650m in reserves, without which the council would have achieved an in year underspend of £1.847m.
- 2.2 In agreeing the higher than planned contribution to the pooled fund in 2019/20, the CCG was able to access additional funding that can be used for the benefit of Bury residents and will be offset by a lower than planned contribution in 2020/21. This decision has impacted on the overall final position of the Council although will be fully offset in 2020/21 when the contribution to the pooled fund will be £10.5m lower than budgeted for. This means that there will be an underspend on this budget line and that a contribution to general reserves will be made to offset the impact in 2019/20.
- 2.3 The variances in the budget are set out in the report and include a number of savings targets that were not achieved and have been offset by underspends in the non-service specific budgets. Some of these savings targets were historic savings targets from previous years that are no longer considered deliverable. To promote greater financial accountability and deliverability, these issues have been addressed as part of the 2020/21 budget setting process. The position has however been managed through underspends in the non-service specific budgets.
- 2.4 The overall position on reserves has improved largely due to a review of the Council's reserves and provisions and these have been re-profiled to reflect current and future risks and ensure the council is as financially resilient as possible. There has however been an increase in the deficit on Dedicated Schools Grant reserve and this will be an area of focus in 2020/21.
- 2.5 A total of £32.686m has been spent on capital projects throughout the year. There is however further slippage on the programme and funding needs to be carried forward into 2020/21 in order for the work to be completed. New capital gateway processes are in the process of being implemented to reduce this level of slippage in future years.

3 FINANCIAL OVERVIEW - REVENUE

- 3.1 In 2019/20, the Council's net revenue expenditure was £143.865m. The final outturn position is set out in Table 1 below and shows an overspend of £5.003m.
- 3.2 Whilst this appears to be a worsening of the position to that reported at the end of Quarter 3, the final position reflects an increased contribution to the pooled

fund of £10.5m that was agreed by Cabinet in March 2020 and supported the CCG in accessing further funding in 2019/20. In addition to this, the final position reflects;

- the change in the Council Minimum Revenue Provision policy that was agreed by Full Council in February 2020 which reduced the cost of MRP;
- use of reserves, some of which were planned when the budget was set and some which have been drawn down during the year to manage emerging pressures. Full details are set out in the report.

Table 1

2019/20 Revenue Out Turn Position – as at 31 March 2020				
Directorate	Approved Budget	Out Turn	Variance (Under)/Over Spend	% (Under)/Over Spend
	£m	£m	£m	
Communities and Wellbeing	71.427	83.819	12.392	
Children, Young People and Culture	39.908	42.134	2.226	
Operations	12.411	12.372	(0.039)	
Resources and Regulation	8.739	9.457	0.718	
Business, Growth and Infrastructure	(0.508)	0.647	1.155	
Art Gallery and Museum	0.565	0.642	0.077	
Housing General Fund	0.033	0.597	0.564	
Non-Service Specific	6.287	(5.803)	(12.090)	
TOTAL	138.862	143.865	5.003	3.60

3.3 It should be noted that budgets at service level have been adjusted to those previously reported to centralise technical budgets over which service managers have no control. This will aid financial control in the future and gives greater clarity to budget holders. Of the reported overspend on the Communities and Wellbeing Directorate, £10.5m relates to the additional contribution the Council made to the pooled budget as outlined above.

3.4 Details on individual services are set out in the next section of the report and a full analysis of savings targets and progress against these is set out at Appendix 1.

Communities and Wellbeing Directorate – Overspend £12.393m

Table 2

2019/20 Revenue Out Turn Position – as at 31 March 2020			
Communities and Wellbeing Directorate	Approved Budget	Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Housing Related Services	0.907	0.635	(0.272)
Care in the Community	31.136	33.232	2.096
Commissioning – Other Services	16.754	16.593	(0.161)
Finance, Customer Services and Asset Management	2.680	12.876	10.196

Adult Social Care Operations	7.077	6.276	(0.801)
Public Health	10.026	10.026	0
GM Transformation Fund	0	0	0
Workforce Modernisation and Adult Education	0.233	0.299	0.066
Civic Venues	0.175	0.555	0.380
Environment	0.527	0.935	0.407
Communities	1.043	1.009	(0.034)
Parks and Countryside	0.221	0.157	(0.063)
Sport and Leisure	0.648	1.226	0.578
TOTAL	71.427	83.819	12.392

3.5 The Communities and Wellbeing Directorate overspent by £12.392m of which £10.5m relates to the additional contribution to the pooled fund, without which the reported overspend would be £1.892m. Of this, £1.751m relates to planned savings that have not been delivered. In addition to this the Directorate has applied reserves of £1.453m. The main variances within the Communities & Wellbeing directorate are as follows:

- **Finance and Customer Services** overspent by £10.196m. The overspend largely relates to a £10.5m contribution to the pooled fund;
- **Care in the Community** overspent by £2.096m due to £1.1m of underachieved savings regarding low cost care package reviews, £0.2m of unfunded transition cases and £0.8m resulting from increased complexity of need of existing and new service users and demographic growth pressures;
- **Adult Social Care Operations** underspent by £0.801m due to staffing vacancies across a number of Adult Social Care Operations services that are currently undergoing transformation;
- **Housing Related Services** underspent by £0.272m. The underspend largely related to additional housing benefit other contractual income;
- **Sports & Leisure** overspent by £0.578m due to the impact of non-achievement of historic savings;
- **Civic Venues** overspent by £0.380m due to the impact of non-achievement of historic savings and in year income shortfalls;
- **Environmental Services** overspent by £0.407m due to non-achievement of historic savings.

Children and Young People – Overspend £2.226m

Table 3

2019/20 Revenue Out Turn Position – as at 31 March 2020			
Children and Young People Directorate	Approved Budget	Out Turn	(Under)/Over Spend
	£m	£m	£m
Learning – Non Schools	3.077	2.758	(0.319)
Early Help and School Readiness	0.980	0.824	(0.156)

Social Care and Safeguarding	23.218	23.405	0.187
Other Management Costs	0.674	3.008	2.334
Strategy/Commissioning	1.875	1.918	0.043
Departmental Wide	8.716	8.721	0.005
Libraries	1.368	1.500	0.132
TOTAL	39.908	42.134	2.226

3.6 The Children, Young People and Culture overspent by £2.226m of which £2.026m relates to the planned savings that were not be delivered. The main variances are:

- **Learning – Non Schools** underspent by £0.319m largely due to salary savings across a number of teams with the main variances reported on the Education Psychology Service which is currently under review (-£0.154m) and the School Improvement Service that achieved additional traded services income and salary savings (-£0.110m);
- **Early Help & School Readiness** underspent by £0.156m due to funding received from the GM Innovations fund to support the implementation of the Early Help Stockport Families Model and vacancies in the Locality Teams;
- **Social Care and Safeguarding** overspent by £0.187m due to increased use of agency staff to cover maternity leave/secondments and vacant posts in the Safeguarding Teams (£0.143m) and the Emergency Duty Team (£0.117m) and an overspend on external legal fees (£0.202m) due to a number of high cost court cases. These overspends were offset by vacancies, additional funding to support the growing number of Unaccompanied Asylum Seeking Children (UASC) and Care Leavers, a reduction in the use of direct payments and commissioned services from children with disabilities and a contribution from the Social Care Support Fund to support Residential, Independent Foster Agency and Care Leaver Support services.
- **Other Management Costs** overspent by £2.334m due to the non-achievement of savings including savings on pension liabilities, relocation from Higher Lane, procurement Reviews and transformation of Children’s Social Care.
- **Libraries** overspent by £0.132m due to increased running costs.

Operations Directorate – Underspend £0.039m

Table 4

2019/20 Revenue Out Turn Position – as at 31 March 2020			
Operations Directorate	Approved Budget	Out Turn	(Under)/Over Spend
	£m	£m	£m
Grounds Maintenance	1.680	1.643	(0.037)
Street Scene	3.096	3.110	0.014
Engineers	1.274	1.315	0.041
Winter Maintenance	0.271	0.368	0.097
Transport and Workshop	0.304	0.251	(0.053)
Waste Management/Street Cleansing	5.785	5.684	(0.101)
TOTAL	12.410	12.371	(0.039)

3.7 The Operations Directorate budget underspent by £0.039m, the main reasons for which are savings on lease contracts that have come to an end in the transport service offset by additional training costs in the winter maintenance service.

Resources and Regulation Directorate – Overspend £0.718m

Table 5

2019/20 Revenue Out Turn Position – as at 31 March 2020			
Resources and Regulation Directorate	Approved Budget	Out Turn	(Under)/Over Spend
	£m	£m	£m
Operational Services	(0.622)	(0.712)	(0.090)
Central Support Services	9.246	9.881	0.635
Trading Services	0.115	0.288	0.173
TOTAL	8.739	9.457	0.718

3.8 The Resources and Regulation Directorate overspent by £0.718m. The out turn includes a contribution from reserves (£0.930m) to support some one-off cost for posts within the Customer Support and Collections team, cost of elections and to support some ICT developments. There are also a number of one off costs relating to exit payments that will support the delivery of savings in future years. The main variances for the directorate are:

- **Finance** overspent by £0.391m is largely due to delayed achievement of savings in relation to insurance and a finance restructure (£0.300m), payment of one-off exit costs (£0.200m) and overspends on staffing (£0.085m) offset by additional income and some underspends across the service. Within the final position, reserves of £0.369m have been used to offset the non-delivery of a saving in the revenue and benefits service without which the overspend would be £0.760m;
- **Human Resources/Corporate People** underspent by £0.047m due to the payment of one-off exit costs (£0.324m) offset by lower than budgeted costs on apprenticeships (£0.135m), savings achieved from the recent restructure (-£0.200m); and some underspends across the service;
- **Legal and Democratic** overspent by £0.200m due to additional costs from the recent elections, (£0.241m) and additional staffing costs (£0.044m) offset by savings in Members Allowances (-£0.088m) and additional income for Registrar of Births, Deaths and Marriages and Trading Standard & Licencing (-£0.071m). Within the final position, reserves of £0.356m have been used to offset the non-delivery of savings, without which the overspend would be £0.556m
- **Trading Services** overspent by £0.173m due to additional income for the cleaning service (-£0.195m) offset by overspends in the Catering Services (£0.367m) as a result of increase in food prices and salaries in salaries and reduced levels of income. These figures also include initial losses relating to the COVID -19.

Business, Growth and Infrastructure – Overspend £1.155m

Table 6

2019/20 Revenue Out Turn Position – as at 31 March 2020			
Business, Growth and Infrastructure Directorate	Approved Budget	Out Turn	(Under)/Over Spend
	£m	£m	£m
Business Growth Management Team	1.082	1.230	0.148
Regeneration	0.108	0.137	0.029
Planning and Development Control	0.584	0.385	(0.200)
Property Management and Admin Buildings	(2.497)	(1.696)	0.801
Strategic Housing	0.494	0.392	(0.102)
Architects	(0.279)	0.200	0.479
TOTAL	(0.508)	0.647	1.155

3.9 The Business, Growth and Infrastructure Directorate overspent by £1.155m of which £0.228m is due to the non-delivery of savings. The out turn includes a contribution from reserves (£0.768m) to support some management costs within the service and some growth projects without which the overspend would be £1.923m. The main variances for the directorate are:

- **Business Growth Management** overspent by £0.148m due to additional costs of the Accommodation Review (£0.074m), cost of consultancy including for the Facilities Management review (£0.218m) and other minor overspends (£0.044m) offset by underutilised carbon reduction commitment budget (-£0.188m);
- **Regeneration** overspent by £0.029m due to unachieved savings targets (£0.050m) offset by salary savings/minor underspends (-£0.021m);
- **Property Management and Admin Buildings** overspent by £0.801m due to an overspend in Admin Buildings for urgent compliance work for the Town Hall and higher than anticipated running costs of buildings (£0.519m), additional building costs on the markets (£0.070m) and loss of income due COVID-19 for markets (£0.100m) and reduced Town Centre income (£0.048m);
- **Strategic Housing** underspent by £0.102m due to increases in income and salary savings in Urban Renewal (-£0.095m) as well as additional income from home improvements (-£0.007m);
- **Architects** overspent by £0.479m due to severance costs (£0.137m) and lost capital income (£0.342m) due to delays in the capital programme delivery;
- **Planning & Building Control** underspent by £0.200m is due to salary savings (-£0.114m) and additional income (-£0.086m).

Art Gallery and Museum – Overspend £0.077m

Table 7

2019/20 Forecast Revenue Out Turn Position – as at 31 March 2020			
Art Gallery and Museum	Approved Budget	Out Turn	(Under)/Over Spend
	£m	£m	£m
Art Gallery and Museum	0.565	0.642	0.077
TOTAL	0.565	0.642	0.077

3.10 The Art Gallery and Museum overspent by £0.077m due to under recovery of income offset by some savings due to staff vacancies.

Housing General Fund –Overspend £0.564

Table 8

2019/20 Revenue Out Turn Position – as at 31 March 2020			
Housing General Fund	Approved Budget	Out Turn	(Under)/Over Spend
	£m	£m	£m
Housing General Fund	0.033	0.597	0.564
TOTAL	0.033	0.597	0.564

3.11 The Housing General Fund overspent by £0.564m due to the contribution to the bad debt provision for higher than anticipated bad debts (£0.221m), net Housing subsidy (£0.356m) offset by minor underspends (-£0.013m).

Non Service Specific – Underspend £12.090m

Table 9

2019/20 Revenue Out Turn Position – as at 31 March 2020			
Non Service Specific	Approved Budget	Out Turn	(Under)/Over Spend
	£m	£m	£m
Passenger Transport Levy	13.264	13.140	(0.125)
Environment Agency	0.100	0.100	0.000
Manchester Airport	(5.635)	(5.635)	0.000
Persona Dividend	(0.200)	(0.200)	0.000
Disaster Expenses	0.011	0.028	0.017
Townside Fields	0.000	(0.058)	(0.058)
Corporate Management	2.535	1.883	(0.653)
Chief Executive’s Office	0.505	0.497	(0.008)
GMWDA Levy	13.763	11.184	(2.579)
Car Lease Salary Sacrifice	0.000	0.025	0.025
Poverty Strategy	0.050	0.033	(0.017)
Service Pressures	0.000	(1.418)	(1.418)
Cost of Borrowing	4.000	2.710	(1.290)
Provisions/Reserves	0.502	(4.382)	(4.884)
Non Service Specific Grants	(3.768)	(4.868)	(1.100)
FRS17 Costs	(19.962)	(19.962)	0.000
Accumulated Absences	1.120	1.120	0.000
TOTAL	6.287	(5.803)	(12.090)

3.12 The Non Specific Service budget underspent by £12.090m due to:

- Passenger Transport Levy – agreement was reached with the Greater Manchester Combined Authority to reduce passenger levies across Greater Manchester Authorities (-£0.125m);
- Disaster Expenses – Additional costs incurred relating to emergency repairs and flood damage (£0.017m);
- Townside Fields – additional receipt relating to management costs (£0.058);
- Corporate Management – reduced spending on subscriptions and initiatives (-£0.653m);
- Returned retained rates from GMCA (-£1.418m);
- Lower than budget contribution to non-service specific reserves (-£4.884m);
- Reduced costs of borrowing due to loans not being taken out in line with expectations (-£1.290m) largely due to slippage in the capital programme;
- Additional grant funding to support impact of COVID-19 (-£1.100m)
- GMWDA levy – reduction in levies across GM Authorities (-£2.579m).

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

4 Delivery of the Savings Plan

4.1 Planned savings of £8.008m are included in the 2019/20 revenue budget. The majority of Directorates were not be able to meet their 2019/20 savings target with an overall shortfall of £4.181m. These shortfalls are reflected in the outturn position set out in the report. The council’s 2020/21 budget setting process took account of the non-delivery of savings in 2019/20 and considered whether these were deliverable in future years. Where this is not considered possible, the savings targets have been built back into the budget from 2002/21 onwards in support of approach to instil greater financial ownership and accountability by providing budget holders with budgets and savings targets that are challenging but deliverable.

4.2 The outturn position includes budgeted exit costs of c£1.6m that will reduce costs in future years that will contribute to the savings targets. Where staff left the council during the year, a part year saving has been achieved and a full year saving will be achieved from 2020/21 onwards.

5 Reserves

5.1 At the end of 2018/19 the council’s useable reserves were £32.551m and Council agreed that £5m would be drawn down and applied to support the budget. These are set out in the table below.

Table 10

Reserves Approved as part of the 2019/20 Budget Setting Process	
Description	Amount
	£m
ABG Top slice	0.454
Connexions	1.408
Airport Share	0.949
Performance Reward Grant	2.072
BCCI	0.127
Total	5.009

- 5.2 In addition to this, Directorates have applied reserves totalling £3.650m of which £2.8m was approved in December. A further £0.850m has been applied from the elections reserve and the transformation reserve to support the elections process and other agreed programmes and initiatives. These are included in the out turn position set out in the report and cabinet is asked to approve the use of these reserves.
- 5.3 As part of the year end processes a review of the council's balance sheet has been undertaken. Of particular focus has been the council's provision for risks including insurance risk. COVID-19 has also impacted on the risk profile of the council and therefore, as assessment of other risks has been factored into the review.
- 5.4 An independent assessment of the insurance risk faced by the council has been carried out by the council's insurance brokers and estimated that the level of provision held by the council is in excess of that required. This provides an opportunity for some rebalancing of reserves and provisions to ensure that the council's financial resilience is as strong as possible and able to help mitigate the considerable financial demands going forward.
- 5.5 Whilst rebalancing of reserves and provisions to reflect changes in financial risk is prudent, the way in which the council uses its reserves has also been considered. From this, a reserves policy has been developed that will ensure reserves are held to manage financial risk and promote financial sustainability and in doing so will:
- Ensure reserves are held to maximise the ability to use reserves flexibly and to deliver the authority's priorities;
 - Hold reserves at a corporate/directorate level unless there is a business/technical reason for not doing so.
- 5.6 A proposed reserves strategy is presented to Cabinet as a separate report for approval. As part of this work, reserves have been consolidated and streamlined and reserves at the end of the financial year are:

Table 11

Analysis of Reserves at 31 March 2020	
	£M
General Reserves	6.989
Directorate Risk Reserves	0.992
Volatility and Fiscal Risk	34.174
Total Management of Risk Reserves	42.155
Corporate Priorities	7.794
External Funding/Grants	20.794
Total Earmarked Reserves	28.588
TOTAL COUNCIL RESERVES	70.743
School Reserves	
Individual School Budgets	5.551
Individual School Balances relating to academies	(0.666)
DSG Central Reserve	(20.067)
TOTAL SCHOOL RESERVES	(15.182)
TOTAL NET RESERVES	55.561

- 5.7 It should be noted that guidance on the school reserves is still awaited following the change to the Terms and Conditions of the DSG that set out that Local Authorities are no longer able to fund any deficits within the DSG. The route to obtaining Secretary of State permission to override the Terms and Conditions have not yet been articulated. The Department for Education (DfE) has indicated that councils should not set aside provisions within their accounts to offset DSG deficits. However this is inconsistent with the National Audit guidance which confirms previous advice that there is no statutory basis for having a negative DSG reserve and the accounting code under which the accounts are prepared 'neither anticipates or allows for a voluntary earmarked balance to be presented in a deficit position'. Therefore to comply with the DfE guidance and the accounting code, the DSG deficit reserve is offset by the Council's earmarked reserve and will continue to do so until a permanent resolution is in place.
- 5.8 The level of reserves has increased over the year and are available to support the Council in managing the financial risks going forward. Some significant grants were received at the end of the financial year relating to COVID-19 and are therefore fully committed and will be fully utilised in 2020/21. Monitoring of reserves will be a key part of the overall financial strategy to manage the impact of COVID-19 in 2020/21 and future years.

6 OTHER BUDGETS

Schools Budget

- 6.1 The maintained schools delegated budgets reserve (excluding academies) increased to £5.551m by the end of the year with an in-year increase of £0.377m. Further information is set out in the table below:

Table 12

Phase	Number of Schools	Balance B/F 1 April 2019	In-Year Movement 2019/20	Balance C/F 31 March 2020
		£m	£m	£m
Nursery	1	0.025	0.009	0.034
Primary	48	3.097	-0.469	2.628
Secondary	10	1.423	0.792	2.215
Special	3	0.629	0.045	0.674
TOTAL	62	5.174	0.377	5.551

- 6.2 During the year the council has seen an increase in the number of schools that have reported an end of year deficit with the number increasing from 4 to 8. The total value of these deficits is £0.548m. All 8 have set budget plans for 2020/21, approved by their Governing Body's, which demonstrate full recovery of their deficits carried forward within 1 year.
- 6.3 A total of 13 schools have excessive balances at the end of the financial year compared to 9 the previous year. The maximum permitted surplus thresholds are 9% for nursery, primary and special schools and 6% for secondary schools. The total value of the excessive balances is £0.807m. In compliance with the approved Scheme for Financing Schools provision for Controls on Surplus Balances, all of these schools' surplus balances have been scrutinised by Schools' Forum in order to ensure plans are in place to spend these accumulated surpluses on the children

in school now. The Schools Forum were satisfied with the outcome of the reviews and did not recommend any surplus clawback for the 2019/20 financial year.

- 6.4 In total, 50% of schools saw a reduction in their end of year position and 50% saw an increase. Monitoring of school budgets takes place throughout the year and will be kept under review especially where recovery plans are in place. A significant increase in funding was awarded to schools for 2020/21 and therefore it is anticipated that they overall position at an individual schools level will improve.
- 6.5 The deficit on the non-schools element of the Dedicated Schools Grant (DSG) increased by £5.436m at the end of 2018/19 to £20.067m. This is a significant risk to the council.
- 6.6 For 2019/20 the Department for Education (DfE) required all councils to complete a recovery plan should their overspend on the DSG exceed 1%. The council has an agreed 5 year recovery plan, however, in recognition of the increasing deficit, a detailed review of the budget and the actions to be taken to bring it back into a balanced position will be reported to Cabinet in September 2020.
- 6.7 The main reasons for the in-year overspend are:
- Primary Inclusion Partnerships (£0.2m)
 - Secondary Inclusion Partnerships and SEMH Hubs (£0.4m)
 - SEND EHCP top up funding to all mainstream schools and academies to comply with statutory finance and SEND requirements (£1.6m)
 - Increased numbers of Education and Health Care Plans (£0.8m)
 - Paediatric Disability support (£0.1m)
 - Increased capacity at Bury's special school provision (£0.5m)
 - Increased volumes of placements to high-cost out of borough provision, including independent Alternative Provision (£2.5m)
- 6.8 In accordance to the agreed recovery and profiled into the 5 year plan, the current investment is expected to reduce the number of high-cost SEND placements out of borough by stemming the flow and having more in borough placements. The 5 year timeline is required in order to ensure the sufficiency and capacity of places can be developed and delivered and to ensure all schools have enhanced inclusion provision and support which will prevent children requiring to be placed in expensive independent placements.

COLLECTION FUND

- 6.9 In February 2020 it was reported that there was a surplus on the collection fund of £17.235m of which £15.808m was to be allocated to the Council and £1.427m to be allocated to the Greater Manchester Combined Authority. The final position on the collection fund has been confirmed and there is a further surplus of £0.265m. This will be released in 2021/22 and will be subject to decision making when the budget is set in February 2021.

HOUSING REVENUE ACCOUNT

- 6.10 The Housing Revenue Account (HRA) delivered a surplus of £1.412m and further information is set out in the table 12 below.

Table 13

2019/20 Revenue Out Turn Position – as at 31 March 2020			
Housing Revenue Account	Approved Budget	Out Turn	(Under)/Over Spend
	£m	£m	£m
Income			
Dwelling Rents	(29.158)	(29.059)	0.099
Non-Dwelling Rents	(0.193)	(0.208)	(0.015)
Other Charges	(1.020)	(1.058)	(0.038)
Total Income	(30.371)	(30.325)	0.046
)			
Expenditure			
Repairs and Maintenance	6.896	6.864	(0.032)
General Management	7.344	7.352	0.008
Special Services	1.335	1.353	0.018
Rents, Rates and Other Charges	0.058	0.057	(0.001)
Increase in Bad Debts Provision	0.471	0.419	(0.052)
Capital Charge	4.626	4.647	0.021
Depreciation	8.419	7.182	(1.237)
Debt Management Expenses	0.041	0.045	0.004
Contribution to/(from) reserves	(0.361)	0.000	0.361
Total Expenditure	28.829	27.920	(0.909)
Net Cost of Services	(1.542)	(2.405)	(0.863)
Interest receivable	(0.066)	(0.062)	0.004
Principal Repayments	0.177	0.180	0.003
Revenue Contributions to Capital	1.421	0.865	(0.555)
Sub Total	1.532	0.983	(0.549)
Operating (Surplus)/Deficit	(0.010)	(1.422)	(1.412)

6.11 There are a number of variations that have contributed to the surplus however the main reasons are:

- **Depreciation** – the calculation method has been reviewed resulting in a reduction in the charge for the year. As the depreciation charge is ultimately used to fund capital programme expenditure any reduction is matched by a corresponding increase in Revenue Contributions to Capital.
- **Contribution to/(from) reserves** – the planned contribution from reserves was not required in 2019/20, primarily as a result of the reduced funding required for capital programme works. The unused £0.361m remains in the HRA balances for use in 2020/21 or future years.
- **Revenue contributions to capital** – A lower than budget contribution as a result in the change in the depreciation calculation and slippage on planned capital schemes within the capital programme. It is anticipated that an additional £1.963m contribution will be required in 2020/21 to complete the 2019/20 programme; this is in addition to the slippage already identified and included in the 2020/21 approved HRA budget. This is however subject to council approval.

- 6.12 Other factors that impact on the HRA year-end balance include void levels, the level of rent arrears and the levels of Right to Buy sales. Details on the end of year position in relation to these are:
- **Voids** The rent loss due to voids for 2019/20 was on average 1.06%. The original dwelling rents budget allowed for a void level target of 1.1%. This generated a small surplus £0.012m.
 - **Arrears** The rent arrears at the end of 2019/20 totalled £2.075m, an increase of 25.3% from the start of the year when arrears totalled £1.656m. Of the total arrears £0.850m relates to former tenants and £1.225m relates to current tenants. An estimated £0.877m of current tenant arrears are in cases where either the under occupancy charge applies or the tenants are in receipt of Universal Credit rather than Housing Benefit; this is an increase of £0.264m from the start of the year reflecting the increase in the number of tenants claiming Universal Credit and the impact this can have on the arrears position with payments received for a number of weeks, in arrears and sometimes with delays.
 - **Right to Buy Sales** The original HRA budgets assumed 60 Right to Buy sales during 2019/20. The actual number of sales in 2019/20 was 62.
- 6.13 A major element of the HRA's costs is the Management Fee paid to the authority's ALMO, Six Town Housing. As the ALMO is a wholly owned Council company it is appropriate for Cabinet to take a view on the company's financial position.
- 6.14 Six Town Housing's draft accounts for the 2019/20 financial year show that the ALMO made a surplus of **£0.442m** on a turnover of **£20.807m**, a rate of 2.1% (for 2018/19 the rate was 1.2%); the surplus for 2019/20 excludes pension adjustments made in line with FRS102 requirements.
- 6.15 Six Town Housing have developed a Reserves Policy (with input from the Council's section 151 Officer) which determines the minimum level of balances that the company should hold; the minimum level for 2019/20 was assessed to be £1.069m and the draft accounts indicate cash and short term deposits totalling £2.924m at the end of 2019/20. The use of reserves is subject to the terms of the Management Agreement between Six Town Housing and the Council.

7 CAPITAL PROGRAMME

- 7.1 The Council's capital programme was originally set at £52.599m. Since then schemes have been added to the programme and some schemes that were slipping have been carried forward, with the agreement of Cabinet, to 2020/21 giving a revised capital programme of £46.505m. Since then a further £4.554m has been added to the 2019/20 capital programme bringing the overall capital programme to £51.059m. This includes a strategic investment in the Manchester Airport Group that was approved by Full Council in March 2019 and the financing for which was agreed in March 2020.
- 7.2 Some of the other schemes have been approved under delegation and supported by a revenue contributions and others were agreed in previous financial years but have only been added to the programme when the work has commenced. A review of processes for the capital programme is being carried out as part of the Capital Gateway process to avoid this happening in future years and will ensure that the capital programme is updated as soon as the decision is made. A summary of the changes is set out in the table below:

Table 14

Scheme	Value £m	Funding
Additional DFG	0.409	Offset by increase in grant
HRA	(0.517)	HRA Funded
Demolition of Wheatfields School	0.080	Capital Receipt
Demolition of Millwood School	0.250	Capital Receipt
Cycling and Walking Strategy	0.182	GM Funded
ZWP Lighting Towers	0.182	Revenue Funded
Strategic Investment	3.737	Prudential Borrowing
Other Minor Schemes Under Delegation	0.231	Revenue Funded
Sub Total	4.554	

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

- **Carry Forward**

7.4 Expenditure on the capital programme is £18.373m lower than anticipated. This is in addition to the £20.384m that was approved for carried forward by Cabinet and which has been agreed as part of the 2020/21 capital programme. It is proposed that a further £18.373m be carried forward to 2020/21. When this is taken into account the final capital programme for 2019/20 is £32.686m.

Financing

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

Table 15

Funding the Revised Capital Programme 2019/20	
	£m
Capital Programme 2019/20	32.686
	32.686
Funded By:	
External Funding and Contributions	(11.772)
Use of Capital Receipts	(1.081)
Prudential Borrowing	(10.610)
General Fund and Reserves	(1.221)
Housing Revenue Account	(0.865)
Major Repairs Reserve	(7.137)
TOTAL	(32.686)

7.6 In delivering the capital programme in 2019/20 the council has:

- Relocated the integrated Community Equipment Service;
- Adapted residents homes to make them more accessible
- Repaired flood damage across the borough;

- Replaced 3 G pitches at Goshen Leisure Centre;
- Introduced traffic calming measures including 20mph zones across the borough
- Maintained and improved the highways infrastructure across the borough;
- Refurbished Radcliffe library.

7.7 New Capital Gateway processes are currently being implemented for the 2020/21 financial year that will review new schemes against corporate priorities and the council's capital strategy and embed effective monitoring and reporting arrangements. The new gateway process will ensure that:

- schemes are prioritised and presented to members for consideration at appropriate times during the year
- schemes are a strategic fit with corporate priorities
- adequate resources are identified at the start of the process to ensure sufficient capacity is available to deliver the projects within anticipated timescales
- effective monitoring is carried out so that any slippage or delays can be considered and reported
- effective project management practices are embedded for all projects

7.8 A review and update of the council's capital strategy is also being carried out and will be resented to Cabinet later in the year. This is particularly important in light of the work on the Bury2030 strategy and the COVID-19 crisis and will ensure that the capital strategy is aligned to the future outcomes and objectives of the council.

7.9 The treasury management out turn report will be presented to Cabinet in September 2020 as it was in the process of being finalised alongside the finalisation of the statement of accounts..

8 FUTURE YEARS

8.1 Effective financial planning is key to the sustainability and operation of all local authorities. The development of the council's medium term financial strategy shows that there is a significant financial challenge in future years. The COVID-19 crisis that emerged at the end of the last financial year poses significant, and potentially unprecedented financial risk for the future. With uncertainty over government funding, the delay in key funding review and implementation plans including the CSR, fair funding review and business rates retention review , the council need to be more than ever financially resilient and to deliver on its plans including its savings plans.

8.2 Plans for the 2020/21 financial year were subject to a significant degree of external scrutiny and challenge to ensure they were deliverable. In addition to this, the reliance on one-off short term funding through reserves and also the carry forward of historic unachievable savings were addressed as part of the 2020/21 budget setting process to provide a greater degree of stability and to ensure financial plans were realistic.

8.3 To support budget holders and to ensure that financial governance is as strong as possible across the whole of the council, a new financial framework is being developed and implemented over the course of the year. This will include new policies and updated governance arrangements including a reserves strategy, a refreshed scheme of delegation that links to the wider constitution review and also debt management and other financial policies. Updates will be provided to Cabinet throughout the year.

9 FINANCIAL IMPLICATIONS

9.1 The financial implications are set out in the report.

10 LEGAL IMPLICATIONS

10.1 There are no legal implications arising from the report.

11 ASSOCIATED RISKS

11.1 The content of the reports supports the Council in managing the overall financial risks and financial planning for the Council.

12 NEXT STEPS AND CONCLUSION

12.1 The financial position for 2019/ 20 will be considered in the context of the financial plans and the medium term financial strategy for future years.

Appendix 1

Analysis of Savings Targets 2019/20			
Description	2019/20 Target	2019/20 Saving Achieved	Saving Un-Deliverable in 2019/20
	£m	£m	£m
Communities and Wellbeing			
Public Health	0.890	0.890	0.000
Social Care review of lower cost packages/Medication visits through home care	1.400	0.250	1.150
Sub Total	2.290	1.140	1.150
Children, Young People and Culture			
Reduced Pension Liabilities	0.150	0.000	0.150
Business Support Functions	0.068	0.068	0.000
Traded Services Finance/HR	0.120	0.120	0.000
Early Years/Early Help Service Reviews/Transformation	2.221	0.753	1.468
Asset Management inc Libraries	0.090	0.000	0.090
Procurement Contract Reviews	0.150	0.030	0.120
Sub Total	2.799	0.971	1.828
Operations			
Highways Maintenance Activity Chargeable to Capital	0.600	0.600	0.000
Car Parking	0.200	0.200	0.000
Sub Total	0.800	0.800	0.000
Resources and Regulation			
Pay Services – Income Generation	0.050	0.020	0.030
Debt Collection	0.200	0.200	0.000
Insurances	0.100	0.000	0.100
In house legal work for insurance claims	0.200	0.062	0.138
Finance Restructure	0.200	0.100	0.100
Financial Assessments/Income Collection	0.300	0.000	0.300
Telephony Contract Savings	0.100	0.040	0.060
Reconfiguration of Security Service	0.150	0.013	0.137
Data Management/Storage Costs	0.200	0.200	0.000
Review of Discretionary Budgets	0.281	0.281	0.000
Sub Total	1.781	0.916	0.865
Business, Growth and Infrastructure			
Facilities Management Review	0.050	0.000	0.050
Office Accommodation Review	0.288	0.000	0.288
Sub Total	0.338	0.000	0.338
TOTAL	8.008	3.827	4.181

Appendix 2

Capital Programme 2019/20 – Out-Turn as at 31 March 2020					
	Revised Budget as at December 2019	Adjustments in Period	Revised Budget 2019/20	Out Turn 2019/20	Carry Forward to 2020/21
	£m	£m	£m	£m	
Corporate ICT Projects	3.584		3.584	2.716	0.868
Improving Information Management	0.057		0.057	0.000	0.057
Older People	0.145		0.145	0.348	(0.203)
DFC – Devolved Formula Capital	1.379		1.379	0.824	0.555
NDS Modernisation	6.186		6.186	5.144	1.042
Targeted Capital Funds	0.000		0.000	0.050	(0.050)
Early Education Fund	0.003		0.003	0.003	0.000
Special Provision Grant	0.519		0.519	0.199	0.320
Radcliffe Library Refurbishment	0.109		0.109	0.129	(0.020)
Wheatfield's School Demolition	0.000	0.080	0.080	0.080	0.000
Millwood School Demolition	0.000	0.250	0.250	0.250	0.000
Empty Property Strategy (HRA)	0.376		0.376	0.103	0.273
Housing Development (HRA)	0.090		0.090	0.090	0.000
Housing Development	1.078		1.078	0.078	1.000
Disabled Facilities Grant	1.249	0.409	1.658	1.061	0.597
Radcliffe Regeneration Action Plan	0.478		0.478	0.246	0.232
Planning – Other Schemes	0.015		0.015	0.003	0.012
Refurbishment of Bury Market	0.100		0.100	0.108	(0.008)
Prestwich	0.250		0.250	0.000	0.250
Whitefield	0.100		0.100	0.000	0.100
Radcliffe	0.420		0.420	0.000	0.420
Growth/Place Shaping	2.715		2.715	0.000	2.715
Other Development Schemes	0.304		0.304	0.164	0.140
Property Investment	0.551		0.551	0.551	0.000
Property Management	0.000		0.000	0.000	0.000
GM Full Fibre Project	0.469		0.469	0.000	0.469
Neighbourhood Working	0.470		0.470	0.228	0.242

Capital Programme 2019/20 – Out-Turn as at 31 March 2020					
	Revised Budget as at December 2019	Adjustments in Period	Revised Budget 2019/20	Out Turn 2019/20	Carry Forward to 2020/21
	£m	£m	£m	£m	
Floods Repair and Defence	2.153		2.153	1.590	0.563
Environmental Works	0.107		0.107	0.023	0.084
Parks	0.177		0.177	0.036	0.141
Flood Repair - 3G Pitches	0.471		0.471	0.366	0.105
Street Lighting	0.601		0.601	0.840	(0.239)
Traffic Management Schemes	0.173		0.173	0.046	0.127
Public Rights of Way	0.085		0.085	0.027	0.058
Highways Planned Maintenance	9.888	(0.100)	9.788	7.071	2.717
Cycling and Walking Strategy	0.033	0.182	0.215	0.191	0.024
Bridges	0.067	0.100	0.167	0.117	0.050
Traffic Calming and Improvement	0.280		0.280	0.000	0.280
Lighting Towers	0.000	0.182	0.182	0.182	0.000
Waste Management	0.027		0.027	0.013	0.014
Civic Halls	0.039		0.039	0.039	0.000
Strategic Airport Investment	0.000	3.737	3.737	1.874	1.863
Housing Programme (HRA) Major Works	11.756	(1.213)	10.543	7.136	3.407
HRA - Disabled Facilities Adaptations	0.000	0.696	0.696	0.530	0.166
Other Minor Revenue Schemes	0.000	0.231	0.231	0.231	0.000
TOTAL	46.505	4.554	51.059	32.686	18.373

