



Classification	Item No.
Open / Closed	

Meeting:	Cabinet
Meeting date:	24 November 2020
Title of report:	The Council's Financial Position as at 30 September 2020
Report by:	Leader of the Council and Cabinet Member for Finance and Growth
Decision Type:	Key Decision
Ward(s) to which report relates	All

Executive Summary:

- 1.1 This report outlines the forecast financial position of the council at the end of 2020/21 based on the information known at the end of the second quarter (30 September 2020). The reports sets out the position for both revenue and capital and provides an analysis of the variances, both under and overspending. The report also sets out the performance on the treasury management activity, including investments and borrowing, against the agreed prudential indicators.
- 1.2 This is the second report of the financial year and reflects demand and the financial impact of Covid at that time. The continuation of the Covid pandemic and the additional measures that have been put in place, both nationally and across the Greater Manchester region, in response to this may impact further on demand for services and loss of income. There does therefore remain some significant challenges to forecasting as a result of COVID-19 and the financial position will continue to be closely monitored throughout the year.
- 1.3 In response to the COVID-19 crisis the government has made available £3.7bn to Local Authorities nationally and some additional specific grants have been made available to provide funding to cover additional costs that will be incurred as a result of specific grant criteria. The funding allocations that were made available have been reflected in the forecast out-turn.
- 1.4 Since the end of September the Government has announced further funding however the final allocations at a local level have not been issued. Where possible, an estimate of these has been made however are subject to change.

- 1.5 Progress on the capital programme has been slower than anticipated, some of this due to the impact of Covid. The forecast position is set out in the report and will inform the budget considerations that are being considered as part of the budget setting process for the 2021/22 financial year.
- 1.6 The treasury management activity for the mid-year position is reported and all activity has been carried out within the agreed parameters and prudential indicators as set out in the Council's treasury management strategy.

Recommendation(s)

That:

- **Note the forecast overspend of £6.931m on the revenue budget and that recently announced additional funding in relation to Covid is likely to reduce the forecast overspend to £1.707m;**
- **Note the significant uncertainties that exist, in particular Wave 2, and that there is likely to be further changes before the end of the financial year;**
- **Note the position on the Dedicated Schools Grant, Collection Fund and the Housing Revenue Account;**
- **Note the savings of £0.262m on the schemes to be funded from allocations from reserves and that these funds will remain in general reserves**
- **Note the Council has made 3,727 grant payments to business across the Borough totalling £41.769m and that this scheme is now closed;**
- **Note forecast position on the capital programme and:**
 - **Approve that £4.028m be added to the 2020/21 capital programme to reflect the additional funding received for schemes;**
 - **Approve that £36.828m be carried forward into the 2021/22 financial year**
 - **Schemes totalling £0.488m be reduced/removed from the programme as set out in the report and that the reserves funding allocated for these purposes will remain with the general reserve;**
 - **Note the revised capital programme of £56.977m once all amendments have been taken into consideration;**
 - **The overspend on the Kay Street Bridge scheme and the Angouleme Way Roadworks be met from a reallocation of DfT and Growth Deal funding as set out in the report;**
 - **Note the risk of the Storm Ciara damage and that the potential cost of £6.4m may need to be managed within the capital programme should the Bellwin claim not be successful;**
- **Note the mid year report on the treasury management activity and that the Council has not breached any of the prudential indicators set at the beginning of the financial year.**

Key considerations

Background

- 2.1 The council is forecasting an overspend of £6.931m which is an improvement on the position at the end of June by £0.593m although this is largely due to additional funding that has been made available to local authorities and a return of some of the waste levy from the Greater Manchester Combined Authority (£3.271m) offset by an underlying increase in costs (£2.678m).
- 2.2 In October the government announced a further £1bn additional support for local authorities (£3.324m for Bury) and this, together with anticipated grant income to compensate for losses on sales, fees and charges grant (up to £1.9m) the overspend is forecast to reduce to £1.707m. This however assumes that there is no further movement in the underlying cost

base as a result of Covid Wave 2 and the local restrictions that have been imposed as part of the national and Greater Manchester response to the pandemic.

2.3 In July, Cabinet agreed a set of principles for managing the in-year gap and budget holders need to ensure these are being applied to ensure that as much as possible is being done to manage downwards the forecast overspend. These are:

- The Council will continue to spend where need exists on the COVID-19 response and all decisions will be taken under existing governance arrangements and will focus on value for money;
- The Council will seek to maintain services as far as possible and, in doing so, minimise the loss of income;
- The Council will seek to maximise the delivery of its savings plan;
- The Council will
 - Use the government grant funding in the first instance to fund additional COVID-19 related costs and loss of income;
 - Consider opportunities for stepping down or deferring the return of some services where resources can be deployed to emerging priorities;
 - Consider the use of reserves as a means of funding any residual financial gap subject to the approval and governance arrangements set out in the Council's reserves strategy.

2.4 The Council has operated with in these principles and, in response to this, some revised efficiency options are set out later in the report to replace some efficiencies agreed in February that are no longer considered deliverable as a result of Covid.

2.5 Within the Council's 2020/21 budget there was an expectation that savings of £4.162m would be delivered. The ability to deliver these in the context is continually being assessed and a total of £2.728m is deemed to be at risk although replacement options and stretched targets from the OCO Directorate have reduced this risk to £2.273m. This is a worsening of the position previously reported. The impact of this has already been factored into the monitoring position.

2.6 The Council has factored in £4.8m of costs that are to be funded through COVID-19 grant monies that have been made available to Clinical Commissioning Groups. The position beyond September still remains unclear and there is the potential for an adverse impact on the council's in year position that will need to be managed. Funding is likely to be made available through the Greater Manchester Health and Social Care Partnership though the exact level is not known.

2.7 The planned contribution to the pooled fund in 2020/21 will be £10.5m less than is budgeted for due to the fact that an additional contribution, to the same value, was made in 2019/20 as part of a strategy to access additional funding for the CCG. This has been reflected in the council's reserves position as set out later in the report and the funding has been confirmed by the CCG.

2.8 A tracker of all grants income is in place and details are set out at Appendix 1. Where grants are to fund new requirements, it has been assumed that additional expenditure to the grant level will be incurred.

2.9 Some of the losses faced by the Council directly relate to schools and the Council's relationship with schools. The opportunity to revisit the Council's position on schools and also mitigating some of the risk needs to be considered as part of the in-year position and also for the council's medium term financial strategy.

2.10 The Council's ability to deliver against the capital programme has been reduced due to Covid and the response that has been needed to deal with the impact of the pandemic. The proposed carry forward and re-phasing of the capital budget will enable the council to focus

on what is considered to be deliverable in the current financial year and the longer term re-phasing will be considered as part of the development of the 2021/22 capital programme. The opportunity to manage current risks, such as Storm Ciara, will be factored in to any future rephrasing.

3 FINANCIAL OVERVIEW - REVENUE

- 3.1 The forecast out turn position is set out in Table 1 below and shows a forecast overspend of £6.931m, representing 4.20% of the council's net revenue budget. The forecast is based on trends and information in the first half of the financial year and therefore will change as trends and assumptions crystallise. Assuming no further change, the overspend will reduce to c£1.7m, (1%), should the assumed additional funding be received from government.

Table 1

Forecast Out Turn Position 2020/21 – As At 30 September 2020					
Directorate	Approved Budget	Revised Budget	Forecast Out Turn	Forecast (Under)/Over Spend	Change to June 2020
	£m	£m	£m	£m	£m
One Commissioning Organisation	79.452	79.467	78.746	(0.721)	(0.888)
Children and Young People	41.778	41.778	43.018	1.240	0.364
Operations	16.247	16.247	24.031	7.784	1.203
Corporate Core	13.520	13.505	14.009	0.504	0.315
Business, Growth and Infrastructure	2.800	2.800	3.206	0.406	(0.153)
Arts and Museum	0.577	0.697	0.729	0.032	(0.030)
Housing General Fund	0.553	0.553	1.116	0.563	0.000
Non Service Specific	9.964	9.844	6.967	(2.877)	(1.404)
TOTAL	164.891	164.891	171.822	6.931	(0.593)
Funded By:					
Government Grants	25.718	25.718	25.718	0.000	0.000
Council Tax	89.020	89.020	89.020	0.000	0.000
Business Rates	50.153	50.153	50.153	0.000	0.000
TOTAL	164.891	164.891	164.891	0.000	0.000

- 3.2 Details on individual services are set out in the next section of the report.

One Commissioning Organisation – Forecast Underspend £0.721m

Table 2

2020/21 Forecast Revenue Out Turn Position – as at 30 September 2020			
One Commissioning Organisation	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Adult Social Care Operations	7.616	7.108	(0.509)
Care in the Community	39.640	39.387	(0.253)
Commissioning & Procurement	17.090	171.120	0.030
Public Health	10.435	10.435	(0.002)
Departmental Support Services	4.607	4.621	0.017
Workforce Modernisation	0.078	0.078	0.000
TOTAL	79.467	78.746	(0.721)

3.3 The OCO budget is forecast to underspend by £0.721m which is an improvement of the position at the end of August when the Directorate was forecasting an overspend of £0.329m.

3.4 The main variances are as follows:

- **Care in the Community** is projecting an underspend of £0.253m and includes c£3.8m of Health Covid monies to offset Covid related expenditure. Care home deflection activity and reduced home care expenditure in recent months has seen a c.£2m net cost reduction in Older People expenditure activity which if viewed in isolation would result in the underspend position being much higher. However, in the same period there has been a significant increase in expenditure within the younger adult's cohort which has largely offset the older people reductions. This will be a key area of focus for the financial strategy.
- **Adult Social Care Operations** is projecting a £0.509m underspend due to underspends on staffing budgets within services that are undergoing transformation. The forecast assumes £1m of NHS Health Covid funding to offset Covid related health expenditure.
- **Commissioning and Procurement** is forecasting an overspend of £0.030m due to an under achievement of the in-year saving on the Persona contract offset by an underspend on salaries due to vacancies within the service.

Children and Young People – Forecast Overspend £1.239m

Table 3

2020/21 Forecast Revenue Out Turn Position – as at 30 September 2020			
Children and Young People Directorate	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Children's Commissioning	1.357	1.299	(0.057)
Early Help & School Readiness	1.755	1.702	(0.053)
Education & Inclusion	16.285	17.258	0.973
Social Care & Safeguarding	22,381	222.759	0.378
TOTAL	41.778	43.018	1.239

3.5 The Children and Young People's Directorate is forecast to overspend by £1.239m due to:

- **Children's Commissioning** The predicted underspend of £0.057m is largely due to 4 vacancies within the Social Care Admin team and a member of staff seconded to another service.
- **Early Help & School Readiness** is forecast to underspend by £0.053m due to a vacant Early Help worker post within the Locality Teams.
- **Education & Inclusion** The forecast overspend of £0.973m is due to increased demand on School Transport (£0.623m), increased costs on packages of care for children with disabilities (£0.107m) and the non-achievement of savings (£0.202) for which alternatives are currently being pursued.
- **Social Care & Safeguarding** – the forecast overspend of £0.378m includes Corporate Parenting (£0.162m) due to an increase in the number of Looked After Children (LAC), delays in discharging/stepping down of care, an increase in care leavers (£0.116m), agency costs to cover sickness and vacancies in safeguarding (£0.339m) as well as

additional building costs due to delays in vacating Higher Lane (£0.052m) and increased external legal fees in relation to two high-cost court cases (£0.142m). These overspends are offset by additional tripartite funding on residential placements (-£0.306m).

Operations Directorate – Forecast Overspend £7.784m

Table 4

2020/21 Forecast Revenue Out Turn Position – as at 30 September 2020			
Operations	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Wellness Operations	2.992	4.932	1.942
Engineers (including Car Parking)	(0.206)	1.781	1.987
Street Scene	4.875	5.077	0.200
Commercial Services	(0.307)	1.668	2.040
Waste, Transport and Stores	6.541	6.840	0.298
Health & Environmental Protection	1.565	1.589	0.024
Operations Senior Management	1.911	1.905	(0.006)
Corporate Landlord	(1.124)	0.239	1.298
TOTAL	16.247	24.031	7.784

3.6 The Operations Directorate is forecasting an overspend of £7.784m mainly as a result of loss of income due COVID-19. Grant income to provide support for loss of income is expected but has not been reflected in these figures. The Directorate has recently restructured and the budgets have been adjusted to reflect this. The material variances within Operations are as follows:

- **Health & Environmental Protection** – the projected overspend is due to licensing due to the temporary deferral of licensing charges (£0.060m) offset by savings from vacancies within Trading Standards (-£0.036m);
- **Engineers** – the overspend largely due to suspension of car parking charges (£1.941m) and other minor variations across the service;
- **Street Scene** - the overspend is largely due to Pest Control loss of income as only emergency works being undertaken in April and May (£0.100m), minor variations across Highways and reduced income in Grounds Maintenance services (0.030m)
- **Wellness Operations** – the overspend is due to income loss in the Leisure Services (£1.875m) and Loss of lettings income in libraries (£0.074m);
- **Commercial Services** – The overspend is due to loss of income in civic centres (£0.566m), an overspend on Catering due to loss of catering income from schools (£0.697m) and loss of market rental income due to agreed schemes to offer rent reliefs to market traders (£0.778m);
- **Corporate Landlord** – The Overspend is due to loss of income due to staff shortages, a reduction in chargeable work to the capital programme due to Covid19 (£0.469m) and an outstanding unachieved savings target (£0.033m) in Architects Service; pressures on rates, cleaning and utilities budgets (£0.277m) on admin buildings and unachieved savings on the corporate landlord model (£0.519m).

Corporate Core and Finance– Forecast Overspend £0.504m

Table 5

2020/21 Forecast Revenue Out Turn Position – as at 30 September 2020			
Corporate Core and Finance	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Corporate Core	3.600	3.798	0.198
Adult Learning	0.099	0.099	0.000
Corporate Core Finance	9.806	10.112	0.305
TOTAL	13.505	14.009	0.504

3.7 Corporate Core and Finance is forecasting an overspend of £0.504m which is a slight improvement on the period 4 position and is as a result of:-

- **Legal Services** – the overspend is due to reduced income relating to COVID 19 and additional agency costs (£0.198m);
- **Corporate Procurement** - a reduction in income from contract management (£0.017m);
- **Communications and Engagement** – additional costs to support the communications team during Covid and to cover staff absences;
- **Customer Support and Collections** - Reduction in summons income due to the closure of courts (£0.206m) and increased staffing costs (£0.100m) due to Covid activity and regradings.

Business, Growth and Infrastructure – Forecast Overspend £0.406m

Table 6

2020/21 Forecast Revenue Out Turn Position – as at 30 September 2020			
Business, Growth and Infrastructure Directorate	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Economic Regeneration & Capital Growth	1.214	1.620	0.406
Housing Needs & Options	1.586	1.586	0.000
TOTAL	2.800	3.206	0.406

3.8 The Business, Growth and Infrastructure Directorate is forecasting an overspend of £0.406m as a result of:

- Property Income losses (£0.400m) some of which is resulting from an approved rent relief scheme to support businesses affected by COVID-19;

Art Gallery and Museum – Forecast Overspend £0.032m

Table 7

2020/21 Forecast Revenue Out Turn Position – as at 30 September 2020			
Art Gallery and Museum	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Art Gallery and Museum	0.697	0.729	0.032
TOTAL	0.697	0.729	0.032

3.9 The Art Gallery and Museum is forecast to overspend by £0.032m due to loss of income as a result of the service being closed and is an improvement on the previously reported position.

Housing General Fund – Forecast Overspend £0.563m

Table 8

2020/21 Forecast Revenue Out Turn Position – as at 30 September 2020			
Housing General Fund	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Housing General Fund	0.553	1.116	0.563
TOTAL	0.553	1.116	0.563

3.10 The Housing General Fund is forecast to overspend by £0.563m due to assumed required contribution to the bad debt provision and the projected net Housing Subsidy position.

Non Service Specific – Forecast Underspend £2.877m

Table 9

2020/21 Forecast Revenue Out Turn Position – as at 30 September 2020			
Non Service Specific	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Accumulated Absences	1.120	1.120	0.000
Chief Executive's Office	0.377	0.377	0.000
Corporate Management	1.730	1.730	0.000
Cost of Borrowing	4.978	7.234	2.256
Grants/COVID-19	0.000	(8.752)	(8.752)
Disaster Expenses	0.011	0.011	0.000
Environment Agency	0.100	0.104	0.004
FRS17 Costs	(19.962)	(19.962)	0.000
GMWDA Levy	13.763	12.191	(1.572)
Manchester Airport	(5.635)	0.000	5.635
Ethical Lettings Agency	0.040	0.040	0.000
Passenger Transport Levy	13.456	13.010	(0.446)
Persona Dividend	(0.200)	(0.200)	0.000
Town of Culture	0.050	0.050	0.000
Provisions/Reserves	0.014	0.014	0.000
TOTAL	9.844	6.967	(2.877)

3.11 The Non Specific Service budget is forecasting an underspend of £2.877m due to:

- **Manchester airport** – loss of dividend (£5.635m) and loan interest repayment (£2.256m) due to the impact of COVID-19 on the travel industry;
- **Passenger Transport Levy** – levy is forecast to be lower than anticipated (-£0.446m);
- **Waste Levy**: A refund in the waste levy (-£1.572m)
- **Environment Agency** – slightly higher levy than expected (£0.004m);
- **Grants/COVID-19** – reflects the receipt of additional grant offset by expenditure within other departments and a budget imbalance relating to the New Homes Bonus (-£9.352m). (The infection control grant income has been reflected in the OCO position from period 4 onwards)

4 DELIVERY OF THE SAVINGS PLAN

4.1 Planned savings of £4.162m are included in the 2020/21 revenue budget. Of these £1.434m is considered delivered with the remaining £2.728m at risk. Work is currently underway with Directorates to establish whether savings can be delivered in the remainder of the year and, if not, whether any other compensating savings can be identified. A summary of the savings is set out in the table below.

Table 10

Assessment of Savings in the 2020/21 Budget			
Directorate	Description	Amount £m	Assessment
One Commissioning Organisation	Persona Contract	0.611	Amber
One Commissioning Organisation	Supporting People Review	0.177	Green
One Commissioning Organisation	Debt Recovery	0.100	Red
Children and Young People	School Improvement Service	0.330	Amber
Children and Young People	Early Help Model	0.102	Amber
Children and Young People	Procurement review of Contracts	0.100	Amber
Operations	Procurement Review of Contracts	0.085	Green
Operations	Corporate Landlord	0.585	Red
Operations	Architects Service Review	0.200	Red
Corporate	Contract Management	0.300	Amber
Corporate	Discretionary payments	0.350	Amber
One Commissioning Organisation	Provider Fees Review	1.107	Green
Operations	Re-Wilding Grass Verges	0.065	Green
Operations	Review of Highways Fees	0.050	Red
Total		4.162	

- 4.2 In addition to the above, care package reviews were expected to reduce the financial impact of increasing demand in adult social care. A further budget pressure of £0.478m is anticipated. This may no longer be achievable due to COVID-19.
- 4.3 The latest information shows a worsening of the position and that a significant number of savings will not be delivered in the current financial year. Covid has clearly played a part however the ability for the council to deliver savings. This is however likely to be an area of political focus given the work undertaken last year by Grant Thornton and the assurances previously provided that these were deliverable. It is proposed that Executive Directors provide information on why savings cannot be achieved.
- 4.4 In recognition of the fact that some of the savings in the OCO are 'at risk' a re-evaluation has been carried out and proposed alternative savings have been identified to offset the majority of the shortfall. Some of the current planned savings options are also projected to deliver more than is budgeted for. Work is underway to identify options to cover the outstanding amount (£0.276m). Details are set out in the table below:

Table 11

Revised OCO Savings				
Description	Original Savings Target	Projected Shortfall/ (Surplus)	Proposed Alternative Savings	Shortfall on Savings
	£m	£m	£m	£m
Persona Contract	0.611	0.458		0.153
Supporting People	0.177	0.250		(0.073)
Debt Recovery	0.100	0.000		0.100
Provider Fees Review	1.107	1.216		(0.109)
Care Packages	0.844	0.366		0.478
Learning Disability/Mental Health	0.000	0.000	(0.200)	(0.200)
Carers	0.000	0.000	(0.069)	(0.069)
Advocacy	0.000	0.000	(0.004)	(0.004)
TOTAL	2.839	2.290	(0.273)	0.276

- 4.5 A summary of the revised efficiency savings, subject to the approval of Cabinet, are:
- **Learning Disability/Mental Health** A review redesign and transformation of both commissioned and internal services and processes
 - **Carers** – A new model to support carers over the age of 18, however the new framework has a significantly stronger emphasis on partnership working, in particular developing relations between young carer’s services and adult carer’s services, along with other partnerships across key services and sectors
 - **Advocacy** – Retendering of a commissioned service
- 4.6 The overall risk of the efficiency savings is reduced to £2.273m for the 2020/21 financial year and the new savings have been reflected in the monitoring position.

5 RESERVES

- 5.1 The forecast position on reserves is set out at Appendix 2 and takes account of the planned contribution to reserves that were agreed as part of the 2020/21 budget and the release of funding from the collection fund that was also agreed. Whilst the position may appear not to have moved significantly, the cumulative movement masks the fact that over £26m has been added to reserves this year through the collection fund and the lower contribution to the pooled fund. When this is taken into account, c£30m of reserves have been used.
- 5.2 The Council’s new reserves policy was agreed at Cabinet in July and is now being applied. Planned allocations from reserves have been reviewed and the following savings are considered achievable due to opportunities presented through partnership working and the availability of grant funding that have reduced the overall cost to the Council. The overall saving of £0.262k will therefore remain in general reserves:
- Tree Planting– reduced by £0.250m
 - Win a bike scheme - £0.005m
 - Increased cycling proficiency - £0.007

6 OTHER BUDGETS

Schools

- 6.1 The council’s expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG). The DSG is ringfenced and can only be spent on schools related activity as set out in the Schools Finance (England) Regulations 2017. The Schools Budget includes funding for a range of educational and support services provided on an authority wide basis as well as individual Schools Budget. The Schools Forum oversee the allocation of funding to schools and the application of the funding formula.
- 6.2 The DSG has 4 main blocks:

Table 12

Block	2020/21 Budget
	£m
Schools	129.940
High Needs	33.209
Early Years	13.782
Central Support Services	0.774
TOTAL	177.705

- 6.3 Since the budget was set, schools and academies have also received further significant external funding of £25.004m, including new funding to support schools with the additional cost pressures arising from Covid. Details of the funding received are set out in the table below. Further information regarding funding received for Covid related purposes is set out in Appendix 1.

Table 13

Estimated External Income	
Grant	£m
Pupil Premium Grant	9.108
Universal Infant Free Schools 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
Covid Exceptional Cost Reimbursement Scheme	2.366
Covid Catch-Up Premium	2.695
TOTAL	25.004

- 6.4 At the end of 2019/20 there was a deficit on the Dedicated Schools Grant (DSG) of £20.067m and this is forecast to increase to £24.531m by the end of the current financial year. This is a significant risk to the council and one which needs to be kept under careful review as any deficit on the DSG reserve is currently offset by the council's general and earmarked reserves. Whilst the DfE has announced that DSG deficits will no longer be offset against Council reserves, the required changes to legislation have not been made. Until then, the position on the reserve remains a significant financial risk to the Council.
- 6.5 The Council has been identified as one of the Local Authorities across the country with one of the highest DSG deficits and has been invited to take part in discussions with the DfE with the aim of 'agreeing a package of support and report that will help the Council bring your DSG deficit under control and ultimately, to eliminate it'. To support the Council, some additional grant funding may be made available however the quantum and the conditions of any potential grant are not yet known. A date has been set for 17 December for an introductory meeting. Updates on progress will be reported to Cabinet as part of the quarterly monitoring process.
- 6.6 The main reason for the forecast increase in the deficit by the end of the financial year is due to:
- Inclusion Partnerships and SEMH Hubs (£0.36m)
 - Paediatric Disability (£0.15m)
 - SEND Preparation for Employment (£0.04m)
 - SEND EHCP top up funding to comply with statutory finance and SEND requirements, including increased volumes (£2.3m)
 - Increased capacity at Bury's special school provision (£1.6m)

Collection Fund

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

Table 14

Forecast Position on the 2020/21 Collection Fund			
	Council Tax	Business Rates	Total
	£m	£m	£m
Balance Brought Forward	0.024	(0.279)	(0.255)
(Surplus)/Deficit for the year	1.646	26.647	28.293
Balance Carried Forward	1.670	26.367	28.038
<i>Distributed:</i>			
Bury Council	(1.409)	(26.104)	(27.512)
GMCA – Police and Crime Commissioner	(0.182)	0.000	(0.182)
GMCA – Fire and Rescue Service	(0.079)	(0.263)	(0.343)
Total	(1.670)	(26.367)	(28.038)
Section 31 Grants Received		26.061	26.061
TOTAL	(1.670)	(0.306)	(1.976)

- 6.8 The increasing prominence of council tax and business rates in helping fund council services means that the collection fund is monitored on an ongoing basis. A forecast in year deficit of £28.293m means that the projected year end collection fund position (council tax and business rates), taking into account the brought forward surplus, is a projected deficit of £28.038m of which the council's share is £27.512m and the Greater Manchester Combined Authority's share is £0.565m (for police and fire and rescue services).
- 6.9 The accounting treatment for the collection fund currently means that a deficit is required to be declared although these largely relate to additional business rates reliefs announced as a result of Covid (Extended Retail Relief and Nursery Relief). These reliefs are funded via Section 31 grant which will be used to repay a significant proportion of the deficit in future years. The expected Section 31 grant on the latest forecast is £26.061m which leaves a net deficit of £1.976m which can now be phased over 3 financial years. The exact timing of the repayment of the Section 31 grant and the re-phasing is still unknown and will be confirmed when guidance on the re-phasing of the deficit over 3 years is issued.
- 6.10 The Greater Manchester Combined Authority area continues to pilot 100% business rates retention. The pilot was first implemented on 1 April 2017. The purpose of the pilot is to develop and trial approaches to manage risk and reward in a local government finance system that includes full devolution of business rates revenues. Whilst the pilot is in place, a no detriment policy is in operation under which the government guarantees that the level of business rates income/grant that a council receives can be no less than it would have been if it was not in the pilot area. The council has so far gained from being a member of pilot scheme.

BUSINESS GRANTS

- 6.11 In response to Covid, the government announced a grants scheme for small businesses within the retail, leisure and hospitality sectors. Funding allocations were made to Councils based on information from the valuation office. Bury received £42.920m of which up to 5% of the grants paid out would be available for a discretionary scheme.
- 6.12 The council was responsible for administering the scheme until it closed at the end of September. In total, £41.769m was paid out to 3,727 business across the borough leaving a small surplus of £1.151m which, based on current guidance, will be recovered by central government. It should be noted that the Council is only able to pay to those businesses that met the government's grant criteria and therefore there is no other alternative way of utilising this funding. A summary of the grants paid are set out in the table below.

Table 15

Analysis of Covid Business Grants Scheme				
	£10k Grants	£25k Grants	Discretionary Grants	TOTAL
Number Paid	3,056	366	305	3,727
Value Paid (£m)	30.560	9.150	2.059	41.769
Total Paid	39.710		2.059	41.769
Grant Available	(40.865)		(2.055)	(42.920)
Surplus (To be repaid)	(1.155)		0.004	(1.151)

- 6.13 From the analysis it should be noted that the discretionary grant fund was overspent by £4,000. This cannot be offset against the main grant allocation and will therefore, subject to the approval of Cabinet, be met from corporate reserves.

HOUSING REVENUE ACCOUNT

- 6.14 The Housing Revenue Account (HRA) is forecasting a surplus of £1.075m and further information is set out in the table 12 below.

Table 16

2020/21 Forecast Revenue Out Turn Position – as at 30 Sept 2020			
Housing Revenue Account	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Income			
Dwelling Rents	(29.963)	(29.907)	0.056
Non-Dwelling Rents	(0.194)	(0.191)	0.003
Other Charges	(1.036)	(1.032)	0.004
Total Income	(31.193)	(31.130)	0.063
Expenditure			
Repairs and Maintenance	7.039	6.902	(0.137)
General Management	7.452	7.350	(0.102)
Special Services	1.366	1.365	(0.001)
Rents, Rates and Other Charges	0.060	0.059	(0.001)
Increase in Bad Debts Provision	0.484	0.742	0.258
Capital Charge	4.632	4.632	-
Depreciation	8.587	7.362	(1.225)
Debt Management Expenses	0.041	0.041	-
Contribution to/(from) reserves	(1.925)	(1.925)	-
Total Expenditure	27.736	26.528	(1.208)
Net Cost of Services	(3.457)	(4.602)	(1.145)
Interest receivable	(0.067)	(0.063)	0.004
Principal Repayments	0.192	0.193	0.001
Revenue Contributions to Capital	3.322	3.387	0.065
Sub Total	3.447	3.517	0.070
Operating (Surplus)/Deficit	(0.010)	(1.085)	(1.075)

- 6.15 The main reasons for the forecast surplus are:

- **Depreciation** – the calculation method was reviewed in 2019/20 resulting in a reduction in the charge for future years. As the depreciation charge is ultimately used to fund capital programme expenditure this reduction has been taken into account in the forecast Revenue Contributions to Capital (see note below).

- **Revenue contributions to capital** – the change shows the net effect of schemes brought forward from 2019/20 and anticipated slippage in the programme for the current year; it is forecast that £2.681m of resources will need to be released back from the HRA balances (Business Plan Headroom Reserve) in 2021/22 to complete the 2020/21 programme.

6.16 As well as looking at the in-year financial position, it is useful to consider some of the other aspects of performance regarding the Housing revenue Account. These have all to some degree been affected by the operating restrictions and financial impacts resulting from the pandemic; this makes forecasting with any certainty very difficult.

- **Voids** The rent loss due to voids for April to September was on average 1.21% which is worse than the 1% void target level set in the original budget. If this performance continues, there will be a reduction in rental income of £0.064m over the original budget. Six Town Housing continue to review the voids processes and the various factors affecting demand.
- **Arrears** The rent arrears at the end of September totalled £2.415m, an increase of 16.4% since the end of March. Of the total arrears £0.889m relates to former tenants and £1.526m relates to current tenants. An estimated £1.106m 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 £0.229m 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.
- **Bad Debts** The Council is required to make a provision for potential bad debts. The contribution for the year is calculated with reference to the type of arrear, the amount outstanding on each individual case and the balance remaining in the provision following write off of debts.

The forecast increase in the required contribution to the Bad Debt Provision is based on an assessment of the arrears at the end of September and the potential change in arrears for the remainder of this financial year. This is very much an estimate based on current trends and expectations and is being closely monitored.

- **Right to Buy Sales** The forecast for 2020/21 was set at 60, this being an increase of 15 on the level of sales assumed for Bury in the Government's self-financing valuation. There have been 21 sales in the period April to September which is 4 less than at this point last year. The number of applications currently proceeding is higher than at this point last year (111 compared to 101); around half of the current applications are awaiting Right to Buy valuations before they can proceed. The valuation service, which was suspended at lockdown in March, has recently been resumed through an external provider. Given the current situation it is difficult to forecast how many applications will actually proceed to completion therefore the sales forecast has been kept at 60 and will be reviewed again at the end of quarter 3; the projections of rental income have been calculated on this basis.

7 CAPITAL PROGRAMME

7.1 The Council's capital programme is set at £86.562m including schemes rolled forward from the 2019/20 financial year. New schemes totalling £4.028m are recommended to be added to the programme in year, all of which are fully funded from external sources. The new schemes are set out below and, subject to approval, will increase the 2020/21 capital programme to £90.590m. Full Council approval is not required. However for governance purposes, these schemes need to be reflected in the capital programme so they can be monitored and reported on.

Table 17

Additions to the 2020/21 Capital Programme		
Project	£m	Reason
2020/21 Revised Capital programme	86.562	
Highways Planned Maintenance	0.049	Additional grant funding
Pothole Fund	1.523	Additional DfT funding via GMCA
Manchester Mesivita	0.008	Grant
Goshen Flood Work	0.511	Grant funding from the Football Foundation
Special Provision Grant	0.195	Additional Grant
Basic Need Grant (Schools)	(0.250)	Actual Grant lower than anticipated
School Condition Grant	1.202	Additional Grant
School Condition Grant	0.790	Additional Grant
Sub Total	4.028	
Revised 2020/21 Capital Programme	90.590	

7.2 Full details on the Capital programme are set out in Appendix 3 and a summary of the key elements are as follows:

- **Carry Forward**

7.3 Expenditure on the capital programme is £20.148m of which £13.403m relates to the strategic investments with the airport. Expenditure is lower than anticipated however this needs to be considered in the wider context of the Covid pandemic. Delivery of the capital programme has been significantly affected by the Covid pandemic and the closure of many services. Additionally, resources that would have been delivering capital schemes and projects have been diverted to other areas as part of the Council's emergency response to the pandemic.

7.4 The Council recognises that the Covid pandemic has impacted in many different ways and has taken the opportunity to review its capital programme to ensure the programme remains focused on priorities, is realistic in terms of what can be delivered in the current financial year and enables schemes to continue in future years should they still be a priority. In considering the schemes we have identified those that are grant funded to ensure that the opportunity to bring in external income to the borough is not lost even if schemes have been delayed. The outcome of the review is as follows:

Project	Current Budget £m	Proposed Budget £m
Schemes Recommended for Deletion		
Electric Vehicle Trials	0.075	0.000
Schemes Recommended to Reduce		
Community Climate Fund	0.600	0.187
TOTAL	0.675	0.187

7.5 It is proposed that the capital programme for 2020/21 be reduced by £0.488m. All of the proposals were to be funded from general reserves and this funding will therefore no longer be needed to be drawn down.

- **Projected Expenditure 2020/21**

- 7.6 As it stands, £16.680m is forecast to be spent in the last half of the financial year. This includes the expenditure on the parks and green spaces strategy that is set out elsewhere on the agenda. Given the ongoing impact of the Covid pandemic the ability to forecast expenditure with any great certainty is reduced and therefore the situation will be kept under careful review. Further updates will be considered by Cabinet prior to the setting of the 2021/22 capital programme at Full Council in February.

Variances

- 7.7 The majority of the variances on the capital programme are due to delays in delivery as a result of Covid and it is proposed that these funds, totalling £36.828m, be carried forward and the programme rephased to reflect when expenditure is likely to be incurred. For now, funds that need to be carried forward into the next financial year have been identified and more work will be undertaken to establish whether any of this will fall into future years. The outcome of this work will be reported to Cabinet in January 20201 when the Quarter 3 monitoring is produced.
- 7.8 Some variances have however emerged and approval is sought to meet the additional costs as follows:
- expenditure on Kay Street Bridge which is currently forecast to exceed the budget provision by £0.675m due to additional construction costs as a result of unforeseen issues when the building work was commissioned. In order to fund this, it is proposed that DfT monies included in the 2020/21 be reallocated for this purpose.
 - tendered costs for Angouleme Way/Market Street and Wash Lane/M66 Jnc2) are £175k higher than anticipated. To fund this it is proposed that some of the funding within the Growth Deal 2 scheme allocated to the Prestwich High Street Scheme be reallocated for this purpose.
 - Given the significant slippage on the capital programme it is not envisaged that this reallocation of funding to address emerging issues will have a significant impact on the wider programme.

Financing

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

Table 17

Financing of the 2020/21 Capital Programme as at 30 September 2020	
	£m
Revised Capital Programme as at Q1	86.562
New Schemes to be added	4.028
Revised Capital Programme	90.590
Funded By:	
External Funding and Contributions	41.416
Use of Capital Receipts	1.389
Revenue	14.675
Prudential Borrowing	33.110
TOTAL	90.590

- 7.10 The Capital Programme will continue to be monitored closely for the remainder of the year. New Capital Gateway processes have been developed and are being introduced in

November 2020. These processes will embed effective monitoring and reporting arrangements. It is envisaged that the new gateway process will ensure that:

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

7.11 A review and update of the council's capital strategy is underway and will be concluded during 2020/21 for consideration and approval by Cabinet and Full Council. This is particularly important in light of the work on the Bury2030 strategy and will ensure that the capital strategy is aligned to the future outcomes and objectives of the council.

Risks

7.12 Storm Ciara has resulted in some residual damage caused by flooding, the extent of which has only become clear over recent months. Independent assessment of the damage has been carried out and it is anticipated that a total of £6.4m will be needed to carry out the work required. Given the significant financial cost the Council is seeking assistance through the government's Bellwin scheme.

7.13 The Bellwin Scheme is a scheme made available to Local Authorities to provide emergency financial assistance to meet uninsured costs incurred with the aftermath of an emergency in their area. At the time of the storm, the scheme was not made available to the Council as it was not deemed to have reached the threshold. Discussions with MHCLG have established that a claim may be accepted and funding made available. This is currently being progressed. In the event of a claim not being successful, the cost will fall to the Council and will need to be considered as part of the overall capital programme for the current and future financial years.

8 TREASURY MANAGEMENT MID-YEAR REVIEW

8.1 The Treasury Management mid-year review report is attached at Appendix 4. To comply with the CIPFA Code and the Council's Treasury Management Strategy, the Council is required to report on its treasury management activity throughout the year. The report sets out the latest economic impact and shows the Council's performance against the agreed prudential indicators.

8.2 There are no performance issues and the Council is operating within its financial limits and boundaries as set out in the strategy.

9 FUTURE YEARS

9.1 The impact of COVID-19 is having a significant impact on the council's financial position and its ability to deliver capital schemes within the anticipated timescales. With Covid Wave 2 and further restrictions being imposed it is expected that further financial pressures will be felt and that these will impact not only in the current financial year but in future financial years. A continuing process of updating the MTFs will ensure that any new or increase in trends will be identified quickly so that remedial action can be taken.

9.2 The ability to forecast with any great accuracy continues to be more difficult now than at any point previously. Not only is the length and the extent of the Covid a huge risk but the

uncertainty around future funding caused by a delayed Comprehensive Spending Review (CSR) and a one year settlement rather than the anticipated 3 year settlement adds further risk and complication. Reliance on scenario planning and reviewing and updating future plans as developments and trends emerge will be a feature of budget planning for some time to come.

- 9.3 The council is currently refreshing its MTFS and is in the process of identifying options that will manage the financial gap in future years. Delivery of these is essential to ensure longer term sustainability. In the short term, the need to protect reserves as much as possible to help mitigate against the significant financial challenges anticipated, in particular over the next 2 financial years, is recommended.

Community impact / Contribution to the Bury 2030 Strategy

Delivery of the Bury 2030 strategy is dependent on resources being available. The delivery of the strategy may be impacted by changes in funding and spending.

Equality Impact and considerations:

24. *Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:*

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*
25. *The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.*

Assessment of Risk:

The following risks apply to the decision:

Risk / opportunity	Mitigation
<p>There are significant risks in the financial position both in the current and future financial years. Financial sustainability is critical and the report sets out areas of concern that need to be addressed.</p> <p>Delays in delivering projects within the capital programme provide an opportunity to review projects and align to the changing position that has</p>	<p>Regular monitoring and reporting ensures that any changes in the financial position are quickly identified and action can be taken to manage the overall position.</p> <p>The longer term medium financial strategy takes accounts of any in-year changes in funding and demand and ensures the Council has a longer term view for future</p>

arisen due to Covid and to ensure that projects align to the Bury 2030 strategy.	years.
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Consultation:

There are no consultation requirements arising from this report.

Legal Implications:

Local authorities must make proper arrangement for the administration of their financial affairs and produce a balanced, robust budget for forthcoming years. This should be consistent with the Council's work plans and strategies and any identified budget gap. This report sets out the current anticipated position and the impact in terms of revenue and capital, in particular of the impact of Covid 19. This will assist Cabinet in formulating proposals to submit to Council in 2021, for the Council budget and council tax calculations for 2021/22.

Financial Implications:

The financial implications are set out in the report. The continuation of the Covid pandemic has impacted significantly on both the revenue and capital budgets across the whole of the Council and needs to be carefully monitored. The in-year position will be reflected in an updated medium term financial strategy and will inform the budget setting process for the 2021/22 financial year.

Report Author and Contact Details:

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Background papers:

The Council's Financial Position as at June 2020

Revenue Budget 2020/21 and Medium Term Financial Strategy 2020/21 – 2024/25

Capital Strategy and Capital Programme 2021 – 2022/23

Treasury Management Strategy and Prudential Indicators 2020/21

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning

Analysis of Grants Received 2020/21 as a result of COVID -19			
Description	Amount (£m)	Additional Costs	Detail
COVID-19 Tranche 1	5.364	No additional costs. This grant was received in 2019/20 and is un-ringfenced and is available to support the Council to meet additional costs and loss of income as a result of COVID-19.	£1.1m of the total allocation of £5.364m was utilised within the 19/20 financial year. The balance will be utilised to offset additional costs / income losses across all services. The grant is being monitored and reflected in the forecast position of the non-service specific budget.
COVID-19 Tranche 2	5.253	No additional costs. This grant is un-ringfenced and is available to support the Council to meet additional costs and loss of income as a result of COVID-19.	The grant will be utilised to offset additional costs / income losses across all services. The grant is being monitored and reflected in the forecast position of the non-service specific budget.
COVID-19 Tranche 3	1.699	No additional costs. This grant is un-ringfenced and is available to support the Council to meet additional costs and loss of income as a result of COVID-19.	The grant will be utilised to offset additional costs / income losses across all services. The grant is being monitored and reflected in the forecast position of the non-service specific budget.
Hardship Relief Fund	1.880	Criteria on how this should be allocated was provided by government. Majority to be used to fund £150 credit on council tax bills to working age residents eligible for local council tax support scheme. Remainder allocated to hardship and welfare schemes.	Currently held within the Collection Fund as most of the costs will be incurred within the fund.
Infection Control Tranche 1	2.396	New Costs will be incurred. Monitoring assumes that the grant will be offset fully by new additional costs.	All of the grant received has been allocated to care home and other organisations as specified in the grant criteria.

Infection Control Tranche 2	1.934	New Costs will be incurred. Monitoring assumes that the grant will be offset fully by new additional costs.	
Re-Opening High Streets	0.169	New costs will be incurred. Monitoring assumes that the grant will be offset fully by new additional costs.	This grant will be paid in arrears on qualifying expenditure.
Test and Trace	1.084	New Costs. Monitoring assumes that the grant will be offset fully by new additional costs.	Additional costs will be reflected within the OCO department
DEFRA Food and Essentials Hardship Grant	0.229	Monitoring assumes that new costs will be incurred.	
New Burdens (Revenues and benefits) for the administration of the business rates grants.	0.170	New costs to support the administration of grants to businesses and increase in welfare and benefit claimants.	Decision made and funding used to increase capacity in the revenues and benefits team.
Test and Trace Enhanced Support	0.150	Monitoring assumes that new costs will be incurred.	Report being prepared
COVID Marshall Funding	0.104	Monitoring assumes that new costs will be incurred.	Report being prepared
Self Isolation Grant	0.171	Grant payments to eligible claimants who are self-isolating	Decision made. Scheme is operating in line with national guidance.
Business Rates Grants	42.920	Grant payments of £10k and £25k to eligible business and funding for a discretionary scheme.	The scheme is now closed.
TOTAL	63.523		
Further announcements of funding to support local authorities who have suffered income losses have been announced. Of the additional £1bn funding announced, Bury will receive £3.324m and it is expected that up to a further £1.9m compensation grant for losses on sales, fees and charges will be received. The Council is also assuming £4.8m grant funding made available to CCGs to cover health related costs.			

Analysis of Grants Received 2020/21 by schools as a result of COVID -19

Description	Amount (£m)	Additional Costs	Detail
Wellbeing for Education Grant	0.030	Allocated to Schools	Non-ringfenced grant to better equip education settings to support wellbeing and psychological recovery as they return to full time education.
Covid catch-Up Premium	2.367	Allocated to Schools	Additional funding to help children catch up on lost learning and reach expected curriculum levels during the 2020/21 academic year. It should be noted that £0.875m of the funding was received by the council to be passported to academies. Funding will be received in 3 tranches (Autumn, Spring and Summer terms).
Covid Exceptional Cost Re-Imbursement Scheme	2.645	Allocated to Schools	Reimbursement scheme to allow schools to reclaim any exceptional costs incurred during lockdown from March – July 2020 in relation to premises, cleaning and free school meals plus other costs that are subject to DfE scrutiny and validation. Of the funding allocated £0.660m is for academies.
TOTAL	5.312		

Forecast Position on Reserves at 31 March 2021				
	Balance as at 1 April 2020	Planned use of Reserves	In Year Overspend (including future known grants)	Forecast Balance as at 31 March 2021
	£M	£M	£M	
General Reserves	6.989	19.277	(1.700)	24.566
Directorate Risk Reserves	0.992	(0.250)		0.742
Volatility and Fiscal Risk	34.174	(4.000)		30.174
Total Management of Risk Reserves	42.155	15.027	(6.931)	55.482
Corporate Priorities	7.794	4.550		12.344
External Funding/Grants	20.794	(14.806)		5.988
Total Earmarked Reserves	28.588	(10.256)	0.000	18.332
TOTAL COUNCIL RESERVES	70.743	4.771	(1.700)	73.814
School Reserves				
DSG Central Reserve	(20.067)	(4.464)		(24.531)
TOTAL SCHOOL RESERVES	(20.067)	(4.464)	0.000	(24.531)
TOTAL NET RESERVES	50.676	0.307	(1.700)	49.283

Appendix 3

	2020/21 Budget	Slippage Brought Forward	Approved Adjustments	Revised Budget	Actual Expenditure as at 30 September 2020	Forecast Expenditure 2020/21	Proposed Rephasing to future years
	£m	£m	£m	£m	£m	£m	£m
Radcliffe Regeneration:							
Radcliffe Town Centre	0.100	0.000	0.000	0.100	0.000	0.000	0.100
Radcliffe Market Chambers	0.100	0.000	0.000	0.100	0.000	0.000	0.100
Radcliffe Library Refurbishment	0.000	-0.020	0.000	-0.020	-0.008	-0.008	-0.012
Radcliffe Regeneration	0.300	0.000	0.000	0.300	0.000	0.263	0.037
Radcliffe Regeneration Action Plan	0.000	0.231	0.000	0.231	-0.002	-0.002	0.233
Sub Total	0.500	0.211	0.000	0.711	-0.010	0.253	0.458
Prestwich Regeneration:							
Public Services Hub	0.050	0.000	0.000	0.050	0.000	0.000	0.050
Strategic Acquisition – Longfield	0.300	0.000	0.000	0.300	0.000	0.000	0.300
Prestwich Urban Village	0.200	0.000	0.000	0.200	-0.008	0.492	-0.292
Sub Total	0.550	0.000	0.000	0.550	-0.008	0.492	0.058
Ramsbottom Regeneration:							
Ramsbottom Town Plan	0.200	0.000	0.000	0.200	0.000	0.000	0.200
Upper Floor Development	0.200	0.000	0.000	0.200	0.000	0.000	0.200
Sub Total	0.400	0.000	0.000	0.400	0.000	0.000	0.400
Bury Regeneration							
Bury Market	0.050	0.000	0.000	0.050	0.000	0.000	0.050
Bury Business centre	0.050	0.000	0.000	0.050	0.000	0.000	0.050

	2020/21 Budget	Slippage Brought Forward	Approved Adjustments	Revised Budget	Actual Expenditure as at 30 September 2020	Forecast Out Turn	Proposed Rephasing to future years
	£m	£m	£m	£m	£m	£m	£m
Elizabethan Suite Update	0.080	0.000	0.000	0.080	0.000	0.000	0.080
Bury Civic Centre – Phase 1	1.800	0.000	0.000	1.800	0.000	-0.001	1.801
Sub Total	1.980	0.000	0.000	1.980	0.000	-0.001	1.981
Bradley Fold Regeneration	0.200	0.000	0.000	0.200	0.000	0.000	0.200
Refurbishment of Bury Market	0.900	-0.008	0.000	0.892	0.000	0.206	0.686
TOTAL - REGENERATION	4.530	0.203	0.000	4.733	-0.018	0.950	3.783
Place Shaping/Growth:							
Prestwich	0.000	0.249	0.000	0.249	0.000	0.000	0.249
Radcliffe	0.000	0.420	0.000	0.420	0.000	0.000	0.420
Whitefield	0.000	0.100	0.000	0.100	0.001	0.001	0.099
Place Shaping/Growth Programme	0.000	2.715	0.000	2.715	0.000	0.000	2.715
Other Development Schemes	0.000	0.138	0.000	0.138	0.478	0.450	-0.312
TOTAL – PLACE SHAPING/GROWTH	0.000	3.623	0.000	3.623	0.479	0.451	3.172
Sport and Leisure:							
Parks and Green Space Strategy	0.800	0.000	0.000	0.800	0.030	0.439	0.361
Play Area Strategy	0.250	0.000	0.000	0.250	0.001	0.251	-0.001
Outdoor Gyms	0.120	0.000	0.000	0.120	0.000	0.000	0.120
Access, Infrastructure and Quality – Parks	0.300	0.000	0.000	0.300	0.000	0.220	0.080
Grass Pitch Vert Draining	0.010	0.000	0.000	0.010	0.000	0.000	0.010
Leisure Gym Equipment Upgrade	0.500	0.000	0.000	0.500	0.257	0.500	0.000
Bury Athletics Track	0.100	0.000	0.000	0.100	0.000	0.006	0.094
Flood Repair – 3 G Pitch	0.000	0.105	0.511	0.616	0.000	0.052	0.564
3G Pitch – Bury Radcliffe	0.040	0.000	0.000	0.040	0.000	0.000	0.040
3G Pitch at Goshen	0.669	0.000	0.000	0.669	0.000	0.000	0.669

	2020/21 Budget	Slippage Brought Forward	Approved Adjustments	Revised Budget	Actual Expenditure as at 30 September 2020	Forecast Out Turn	Proposed Rephasing to future years
	£m	£m	£m	£m	£m	£m	£m
Sustainable Tennis Strategy	0.180	0.000	0.000	0.180	0.000	0.226	-0.046
Radcliffe FC Facilities	0.170	0.000	0.000	0.170	0.000	0.000	0.170
Match Fund Football Grants	0.150	0.000	0.000	0.150	0.000	0.000	0.150
Non Turf Cricket Pitch	0.072	0.000	0.000	0.072	0.000	0.000	0.072
Flood Repair and Defence	0.000	0.568	0.000	0.568	0.385	0.395	0.172
Environmental Works	0.000	0.084	0.000	0.084	0.003	0.078	0.005
Parks	0.000	0.142	0.000	0.142	0.000	0.137	0.005
TOTAL – SPORT AND LEISURE	3.361	0.898	0.511	4.770	0.677	2.305	2.465
Operational Fleet::							
Vehicle Replacement Strategy	6.760	0.000	0.000	6.760	0.000	4.000	2.760
Grounds Maintenance Equipment	0.240	0.000	0.000	0.240	0.017	0.070	0.170
TOTAL – OPERATIONAL FLEET	7.000	0.000	0.000	7.000	0.017	4.070	2.930
ICT:							
ICT Projects	5.015	0.869	0.000	5.884	1.106	2.100	3.784
Improving Information Management	0.000	0.057	0.000	0.057	0.000	0.000	0.057
GM Full Fibre Project	0.000	0.469	0.000	0.469	0.468	0.468	0.001
TOTAL – ICT	5.015	1.395	0.000	6.410	1.574	2.568	3.843
Highways:							
Highways Investment Strategy – Tranche 2	4.000	0.000	0.000	4.000	0.000	4.000	0.000
Cycling and Walking Routes – Mayors Challenge	3.000	0.102	0.000	3.102	0.025	0.035	3.067
Growth Deal	0.711	0.000	0.000	0.711	0.000	0.000	0.711
Mobile Speed Signs	0.035	0.000	0.000	0.035	0.000	0.000	0.035

	2020/21 Budget	Slippage Brought Forward	Approved Adjustments	Revised Budget	Actual Expenditure as at 30 September 2020	Forecast Out Turn	Proposed Rephasing to future years
	£m	£m	£m	£m	£m	£m	£m
Full Fibre Infrastructure	0.520	0.000	0.000	0.520	0.000	0.000	0.520
Weather Station and Road Surface Temperature Sensors	0.030	0.000	0.000	0.030	0.000	0.030	0.000
Street Lighting	2.000	-0.239	0.000	1.761	0.029	1.289	0.473
Traffic Calming and improvement	0.517	0.281	0.000	0.798	0.119	0.239	0.559
Traffic Management Schemes	0.000	0.127	0.000	0.127	0.000	0.075	0.052
Public Rights of Way	0.000	0.058	0.000	0.058	0.000	0.005	0.053
Highways Planned Maintenance	0.000	2.640	0.049	2.689	1.026	2.689	0.000
Pothole Fund	0.000	0.000	1.523	1.523	0.000	1.156	0.367
Bridges	0.000	0.050	0.000	0.050	0.022	0.052	-0.002
TOTAL – HIGHWAYS	10.813	3.019	1.572	15.404	1.221	9.570	5.835
<i>Children and Young People (including Schools):</i>							
NDS Modernisation	6.995	1.121	1.742	9.858	1.110	4.026	5.832
DFE Formula Capital	0.327	0.555	0.008	0.890	0.253	0.353	0.537
Targeted Capital Funds	0.000	-0.130	0.000	-0.130	-0.131	-0.131	0.001
Special Provision Grant	0.000	0.320	0.195	0.515	0.078	0.494	0.022
Radcliffe School	0.378	0.000	0.000	0.378	0.000	0.000	0.378
Condition Related Schemes – Schools	0.500	0.000	0.000	0.500	0.000	0.000	0.500
Schools Sustainability Schemes	0.250	0.000	0.000	0.250	0.000	0.000	0.250
TOTAL – CHILDREN AND YOUNG PEOPLE	8.450	1.866	1.945	12.261	1.309	4.741	7.520
<i>Estate Management – Investment Estate:</i>							
Demolition of Former Fire Station – Bury	0.300	0.000	0.000	0.300	0.000	0.000	0.300

	2020/21 Budget	Slippage Brought Forward	Approved Adjustments	Revised Budget	Actual Expenditure as at 30 September 2020	Forecast Out Turn	Proposed Rephasing to future years
	£m	£m	£m	£m	£m	£m	£m
177 & 179 The Rock	0.005	0.000	0.000	0.005	0.000	0.000	0.005
Portland and Chesham industrial Estate	0.010	0.000	0.000	0.010	0.000	0.000	0.010
Former Prezzo, Lytham	0.055	0.000	0.000	0.055	0.000	0.000	0.055
Black Manor Street	0.050	0.000	0.000	0.050	0.000	0.000	0.050
Tile Street	0.050	0.000	0.000	0.050	0.000	0.000	0.050
St Mary's Place	0.030	0.000	0.000	0.030	0.000	0.000	0.030
TOTAL – ESTATE MANAGEMENT INVESTMENT ESTATE	0.500	0.000	0.000	0.500	0.000	0.000	0.500
<i>Estate Management - Corporate Landlord:</i>							
Fernhill Gypsy and Traveller Site	0.360	0.000	0.000	0.360	0.000	0.000	0.360
Bradley Fold Welfare Facilities	0.200	0.000	0.000	0.200	0.123	0.205	-0.005
Bradley Fold Depot – Essential Maintenance	0.220	0.000	0.000	0.220	0.000	0.220	0.000
Leisure Health and Safety Improvements	0.188	0.000	0.000	0.188	0.000	0.120	0.068
Leisure Health and Safety Improvements 19/20	0.181	0.000	0.000	0.181	0.000	0.003	0.178
LED Lighting Installation	0.011	0.000	0.000	0.011	0.000	0.051	-0.040
Seedfield – Health and Safety	0.025	0.000	0.000	0.025	0.000	0.000	0.025
Bury Cemetery Upgrade of Welfare Facilities	0.025	0.000	0.000	0.025	0.000	0.010	0.015
Hoyles park Pavilion Demolition and Clarence Park Skateboard Park removal	0.040	0.000	0.000	0.040	0.000	0.000	0.040
TOTAL – ESTATE MANAGEMENT CORPORATE LANDLORD	1.250	0.000	0.000	1.250	0.123	0.610	0.640
<i>One Commissioning Organisation:</i>							
Older People	0.588	-0.204	0.000	0.384	0.080	0.079	0.305
Disabled Facilities Grant	0.855	0.597	0.000	1.452	0.179	0.179	1.274

	2020/21 Budget	Slippage Brought Forward	Approved Adjustments	Revised Budget	Actual Expenditure as at 30 September 2020	Forecast Out Turn	Proposed Rephasing to future years
	£m	£m	£m	£m	£m	£m	£m
Neighbourhood Working	0.000	0.242	0.000	0.242	0.014	0.014	0.228
Planning – Other Schemes	0.065	0.012	0.000	0.077	0.000	0.012	0.065
Other Development Schemes	0.027	0.000	0.000	0.027	0.000	0.000	0.027
Environmental Works	0.067	0.000	0.000	0.067	0.000	0.000	0.067
TOTAL – COMMUNITIES AND WELLBEING	1.602	0.647	0.000	2.249	0.272	0.283	1.966
Electric Vehicle Trials	0.075	0.000	0.000	0.075	0.000	0.000	0.075
Housing – HRA	9.280	3.406	0.000	12.686	0.171	9.592	3.094
HRA – Disabled Facilities Adaptations	0.550	0.166	0.000	0.716	0.000	0.609	0.107
Empty Property Strategy	0.000	0.273	0.000	0.273	0.000	0.000	0.273
Next Steps Accommodation Programme	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Housing Development	0.000	1.000	0.000	1.000	0.921	1.100	-0.100
TOTAL – HOUSING	9.905	4.845	0.000	14.750	1.091	11.301	3.448
Climate Change:							
Community Climate Capital Fund	0.600	0.000	0.000	0.600	0.000	0.007	0.593
Climate Change Resilience Fund	0.200	0.000	0.000	0.200	0.000	0.060	0.140
Electric Charging Points	0.040	0.000	0.000	0.040	0.000	0.000	0.040
Glysophate Alternative Equipment	0.050	0.000	0.000	0.050	0.000	0.050	0.000
Waste Management	0.000	0.014	0.000	0.014	0.000	0.069	-0.055
Fly-Tipping	0.060	0.000	0.000	0.060	0.000	0.052	0.008
TOTAL – CLIMATE CHANGE	0.950	0.014	0.000	0.964	0.000	0.238	0.726
Strategic Airport Investment	0.000	1.863	1.863	3.726	3.726	3.726	0.000
Strategic Airport Investment	0.000	0.000	12.950	12.950	9.677	12.950	0.000
TOTAL – STRATEGIC INVESTMENT	0.000	1.863	14.813	16.676	13.403	16.676	0.000
TOTAL	53.376	18.373	18.841	90.590	20.148	53.763	36.828

Treasury Management Mid-Year Review 2020/21

1.0 BACKGROUND

1.1 In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2020/21, all authorities have been required to prepare a Capital Strategy which is to provide the following:-

- A high-level 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 financial sustainability.

A report setting out our Capital Strategy will be taken to Council before 31st March 2021.

1.2 The Council operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

1.3 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.4 Accordingly, treasury management is defined as:- "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

1.5 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017). The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is: Overview & Scrutiny Committee.

- 1.6 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

An economic update for the 2020/21 financial year to 30 September 2020;
 A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
 A review of the Council's investment portfolio for 2020/21
 A review of the Council's borrowing strategy for 2020/21
 A review of any debt rescheduling undertaken during 2020/21
 A review of compliance with Treasury and Prudential Limits for 2020/21

- 1.7 This report fulfils the requirement to produce a mid-year review.

2.0 ECONOMIC UP-DATE (from Treasury Advisors)

2.1 Economic Performance to date

- 2.1.1 The Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn.

The fall in **GDP** in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown. The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.

- 2.1.2 It was forecast that there would be excess demand in the economy by Q3 2022 causing **CPI inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

- 2.1.3 In conclusion, the MPC acknowledged that the “medium-term projections were a less informative guide than usual” and the minutes had multiple references to **downside risks**, which were judged to persist both in the short and medium term. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery.

2.2 Interest rate Forecasts and Outlook

- 2.2.1 The Council's treasury advisor, Link Asset Services, has provided the following forecast on 11th August 2020.

Link Group Interest Rate View 11.8.20										
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank

Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

2.2.2 The overall balance of risks to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the virus. There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

3.0 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UP-DATE

3.1 The Treasury Management Strategy Statement (TMSS) for 2020/21 was approved by the Council on 26 February 2020.

3.2 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

4.0 THE COUNCIL'S CAPITAL POSITION (PRUDENTIAL INDICATORS)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

4.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget

Capital Expenditure	2020/21	2020/21
	Original Estimate	Revised Estimate
	£m	£m
Non-HRA	43.546	75.915
HRA	9.830	14.675
Total	53.376	90.590

The increase of the revised estimate over the original estimate is due to slippage from 2019/20 of £18.373m with approved in year adjustments of £18.841m.

4.2 Changes to the Financing of the Capital Programme

The table below shows the main strategy elements of the capital expenditure plans. The borrowing requirement shown will increase the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2020/21	2020/21
	Original Estimate	Revised Estimate
	£m	£m
Total capital expenditure	53,376	90,590
Financed by:		
Capital receipts	609	1,389
Capital grants	14,978	41,416
Revenue	9,830	14,675
Total financing	25,417	57,480
Borrowing requirement	27,959	33,110

4.3 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

	2020/21	2020/21
	Original Estimate	Revised Estimate
	£m	£m
Prudential Indicator - Capital Financing Requirement		
CFR – non HRA	168.481	169.866
CFR – HRA existing	40.531	40.531
Housing Reform Settlement	78.253	78.253
Total CFR	287.266	288.651

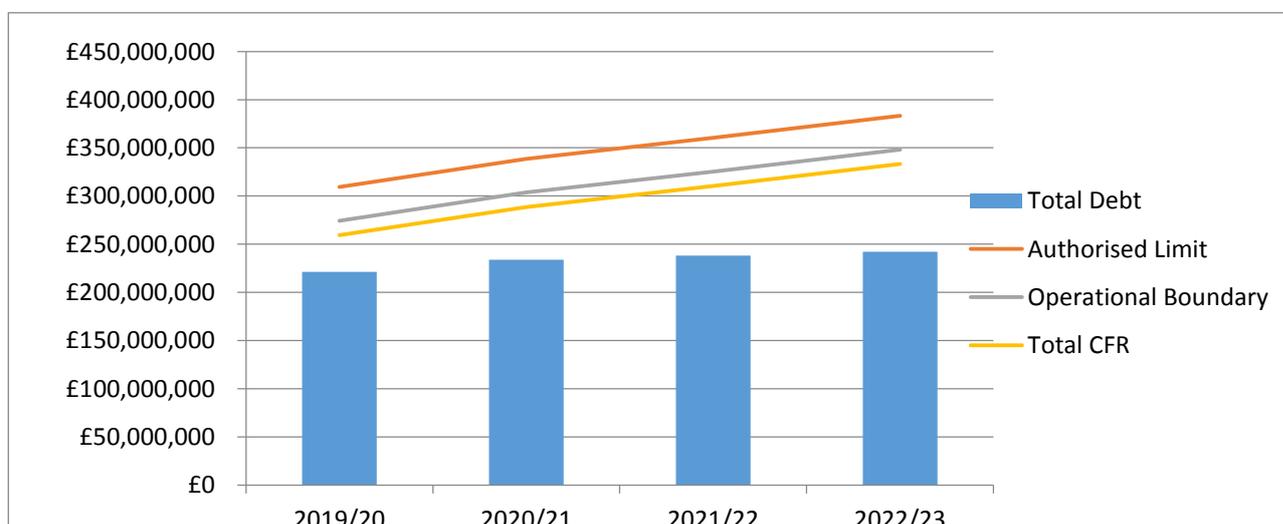
Prudential Indicator - External Debt / the Operational Boundary		
Borrowing	269.300	298.700
Other long term liabilities	5.000	5.000
Total	274.300	303.700

4.4 Limits to Borrowing Activity

- 4.4.1 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.
- 4.4.2 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised Limit for External Debt	2020/21	2020/21
	Original Indicator	Revised Indicator
	£m	£m
Borrowing	304.300	333.700
Other long term liabilities	5.000	5.000
Total	309.300	338.700

4.4.3 The chart below shows the projected trend of the Council's Prudential Indicators.



5 INVESTMENT PORTFOLIO 2020/21

5.1 The Treasury Management Strategy Statement (TMSS) for 2020/21, which includes the Annual Investment Strategy, was approved by the Council on 26th February 2020. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

5.2 As shown by the interest rate forecasts in section 2, it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates are barely above zero now that Bank Rate is at 0.10%, while some entities, including more recently the Debt Management Account Deposit Facility (DMADF), are offering negative rates of return in some shorter time periods. Given this risk environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31st March 2023, investment returns are expected to remain low.

5.3 The Council held £27.7m of investments as at 30 September 2020 (£29.4m at 31 March 2020) and the investment portfolio yield for the first six months of the year is 0.14% against a 3 month benchmark of 0.05%.

The investments held as at 30 September 2020 were:-

Type of Investment	£ m
Call Investments (Cash equivalents)	27.7
Fixed Investments (Short term investments)	0.0
Total	27.7

5.4 The Director Of Financial Transformation confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2020/21.

5.5 The Council's budgeted investment return for 2020/21 is £0.1m, and performance for the year to date is in line with the budget.

5.6 The Cabinet have approved a "Property Investment Strategy" which aims to increase investment income by investing in property rather than investing with financial institutions where returns are low at present. Additional borrowing may need to be undertaken to finance property acquisitions; each investment will be subject to a robust business case and also non-financial factors (e.g. ethical stance) will be considered.

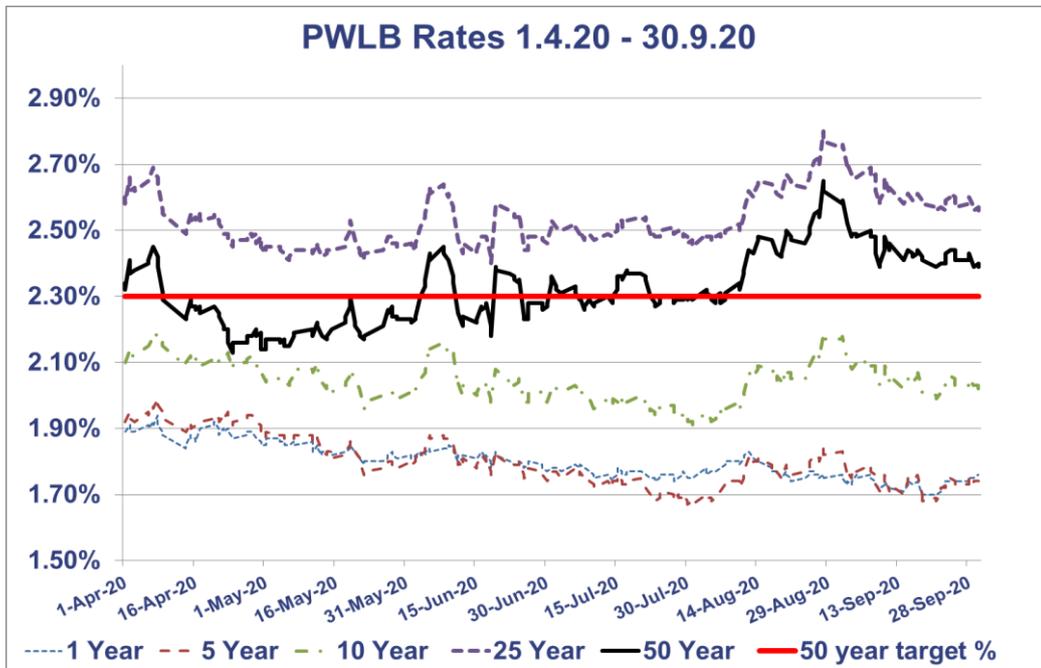
6.0 BORROWING

6.1 The Council's capital financing requirement (CFR) for 2020/21 is £288.7m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The table below shows the Council has borrowings of £207.2m and has utilised £81.4m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevail.

	1st April 2020			30 September 2020		
	Principal		Avg.	Principal		Avg.
	£M	£M	Rate	£M	£M	Rate
Fixed rate funding						
	PWLB Bury	134.071			134.102	
	PWLB Airport	11.828			11.828	
	Market Bury	49.272	195.171		51.300	197.230
Variable rate funding						
	PWLB Bury	0			0	
	Market Bury	0	0		0	0
Temporary Loans / Bonds						
		21.003	21.003		10.003	10.003
Total Debt			216.174	3.70%	207.233	3.70%
Capital Financing Requirement						
			259.304		288.651	
Over/ (under) borrowing			(43.130)		(81.418)	
Total Investments						
			29.410	0.62%	27.660	0.14%
Net Debt						
			186.764		179.573	

6.2 External borrowing of £2.3m has been undertaken from the market during the first 6 months of 2020/21. 1 loan was taken to take advantage of low interest rates. Additional external borrowing will be required during the remainder of this financial year.

6.3 The graph below shows the movement in PWLB certainty rates for the first six months of the year to 30.09.20.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.70%	1.67%	1.91%	2.40%	2.13%
Date	18/09/2020	30/07/2020	31/07/2020	18/06/2020	24/04/2020
High	1.94%	1.99%	2.19%	2.80%	2.65%
Date	08/04/2020	08/04/2020	08/04/2020	28/08/2020	28/08/2020
Average	1.80%	1.80%	2.04%	2.54%	2.33%

7.0 DEBT RESCHEDULING

7.1 Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling was undertaken during the first six months of 2020/21.