



Classification	Item No.
Open	

Meeting:	CABINET
Meeting date:	24 November 2020
Title of report:	Setting the 2021/22 Budget
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 INTRODUCTION

- 1.1 This year the context in which financial planning is being undertaken is perhaps the most complex and difficult of recent times. When the Council's 2020/21 budget was set uncertainties around Government policy and funding through the Comprehensive Spending Review, Local Government Finance Settlement, the Fairer Funding Review, the Business Rates Retention Review and potentially other major reforms existed. Whilst a challenging situation in it's own right, this was without the emergence and impact of the Covid-19 pandemic, which will continue to have a significant financial impact on our own finances and on the wider economic position of our borough and our region, for some time to come.
- 1.2 The economic reality is fast changing and challenging and the extent of how long this will last cannot be predicted with any great certainty but will inevitably bring additional pressures in demand for the services provided by the Council and our partners. The significant financial impact of Covid-19 cannot be underestimated and as the economic impact of Wave 1 is still unfolding the potential for an even greater impact of Wave 2 and beyond is one which the Council needs to consider and plan for. In response to this, the Council has developed a six month plan for living with Covid as part of a two year corporate plan that is recommended for approval elsewhere on the agenda.

- 1.3 Over recent months the Council has been reviewing and reporting on its financial position and in October 2020 Cabinet received a financial planning document and financial framework within which its 2021/22 budget would be developed and which would form the basis of the budget for future years. In providing a framework, it was recognised that there were still some significant uncertainties, particularly with the funding assumptions for future years which remain unknown largely due to the delay in the Comprehensive Spending Review, the outcome of which is not likely to be known until early to mid-December. What is known is that whatever the outcome of the CSR, the Council is likely to be facing a significant financial challenge going forward and processes need to be put in place to be able to deal with this now in order to meet our statutory requirements around budget setting.
- 1.4 In October 2020, the Council launched a public consultation on the Bury 2030 strategy and it is essential that our budget planning aligns to the vision and priorities set out in the strategy. The priorities are organised around the five themes of the local industrial strategy:
- **Healthy People:** We want to improve health and well-being by working with communities and residents to ensure that all people have a good start and enjoy a healthy, safe and fulfilling life.
 - **Thriving, green Places:** All six towns should be thriving and sustainable and by 2030 we will have delivered key regeneration opportunities within our town centres. Everyone will be living in a high-quality carbon-neutral environment by 2038.
 - **Co-designed Ideas:** We will routinely harness the voices and creativity of all our residents in developing future plans; celebrate the diversity of our community and offer an 'opportunity guarantee' for everyone who wants to develop through volunteering or needs specific support to get back to playing a fulfilling role in the community.
 - **Future-proofed Infrastructure:** All people and businesses in the Borough will have access to modern well-managed infrastructure including excellent housing, transport and superfast broadband as part of a new 'digital first' norm.
 - **Inclusive Business Growth:** Our Borough will have a thriving local economy which will be recovered from the impacts of Covid-19 and from which all residents can benefit through a first-class all-age skills offer, high quality local jobs and targeted support for people experiencing hardship, including those who are working.
- 1.5 Underpinning the strategy is a commitment to internal transformation, the objectives for which include:
- the need to drive internal improvements across core key functions within the partnership such as organisation strategy; programme delivery and IT/Digital infrastructure;
 - a requirement to develop the internal capabilities to deliver vision of Bury 2030 outcomes;
 - public service reform to support more integrated working practice and enhanced partnership working in order to reduce demand.
- 1.6 It is within this context that the Council's approach to setting the 2020/21 budget has been developed. Over recent months the Executive Team has been involved in detailed discussions on how the Council's budget may be reshaped and transformed to deliver the services and outcomes that we need but within a reduced cost and funding envelope. The outcome of this work forms the basis for the rest of the report. The One Commission Organisation and Pooled Budget with Bury CCG has been central to the work on budget options and to our single response to Covid. The largest proportion of savings proposed so far in the budget process are with the Health and Social Care partnership as set out in section 5 of this report.

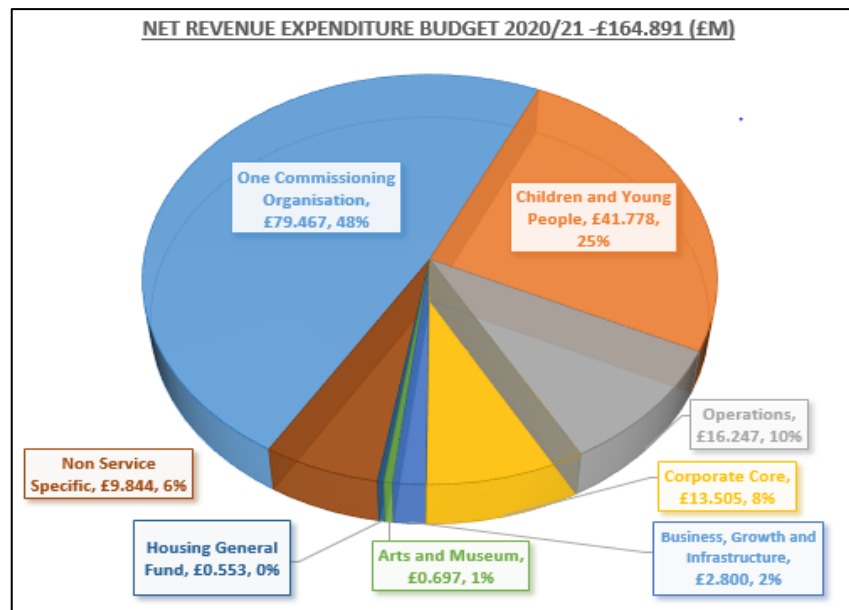
Recommendations

To:

- **Approve the 2021/22 to 2024/25 medium term financial and budget strategy including the savings proposals for the purposes of a conversation with the public, key stakeholders and staff to inform the final budget proposals to Full Council in February and that these proposals will be presented to the Overview and Scrutiny Committee as part of the process;**
- **Note the significant uncertainty in funding and that the MTFs will be updated and reviewed in light of the announcements anticipated in December 2020;**
- **Note the budget gap of £64.093m over the 4 years of which £31.243m relates to 2021/22 prior to any proposed savings and the proposed use of reserves;**
- **Note the residual gap of £15.280m over the 4 year period should all savings proposals and use of reserves be ultimately accepted and that a gap of £4.194m remains by the end of the second year of the strategy (2022/23) and that further work is underway to identify further options;**
- **Note the planned work on transformation and that a saving of £5m, the key themes of which are described in the report, are expected to generate savings of £5m to contribute towards the savings target;**
- **Note the projected position on the Council's reserves and the intention to bring forward proposals to generate one-off income that can be utilised to supplement reserves and reduce the 'run rate', i.e. capital receipts;**
- **Note the further work underway on the Council's capital programme and to prioritise projects that can deliver better outcomes and reduce the revenue funding requirements;**
- **Note that the initial proposals as a conversation prompt will be considered by the Strategic Commissioning Board in December alongside emergent clarity on the CCG financial position for 2021/22 and in the context of the commitment to the pooled budget for health and care between the Council and the CCG.**

2 FINANCIAL CONTEXT AND BACKGROUND

- 2.1 The Council's 2020/21 budget was set to remove ongoing reliance on short term and one-off reserves funding, 'rebalance' budgets to where the funding was needed, remove historic savings targets that were unachievable and these were replaced with savings options that had been robustly challenged and were considered achievable at that time. At the same time the Council's reserves were starting to be replenished and funding to support the wider transformation of the Council was available. The 2020/21 financial year, whilst challenging, was considered to be deliverable. This unfortunately is no longer the reality.
- 2.2 In understanding the budget proposals it is useful to understand the financial envelope within which the Council operates. The net controllable budget for the Council (excluding schools) is £164.891m and the allocation of the budget across the services is set out below:



- 2.3 Since 2010 the Government has reduced the funding for Local Government as part of its efforts to reduce the fiscal deficit and has been the longest sustained squeeze on public spending on record.
- 2.4 Alongside reductions in funding, Local Authorities have had to deal with growth in demand for key services, most notably adults and children’s social care and this demand is expected to continue. Other pressures have also been faced including higher national insurance contributions, inflationary pressures on goods and services, the apprentice levy and the National Living Wage.
- 2.5 The cost to the Council of the Covid-19 pandemic and the expected ongoing financial pressures have also added to the savings requirement for 2021/22 and beyond.
- 2.6 On 21 July 2020 the Chancellor announced a Comprehensive Spending Review (CSR) for the autumn which was to inform government departmental totals. The consultation period has now ended and the outcome is awaited. Due to the unprecedented uncertainty it is now known that a one year only settlement will be announced. The Spending Review is expected ‘in the last weeks of November with the CSR two to three weeks later’. This means that the outcome of the CSR is unlikely to be known until mid-December and at that point a further review of the Council’s financial position will be needed to inform the final budget proposals in February.
- 2.7 The Council is however unable to wait until the funding allocations are known and planning assumptions have been updated and refreshed. This work will continue throughout the remainder of the year until the budget is set in February 2021. The outcome of the refresh has:
- Determined the likely levels of resources available over the medium term;
 - Determined the level of spending priority commitments arising from the Covid-19 recovery plan and the Council’s ambitions over the medium term;
 - Developed and considered options to deliver budget reductions that can be evaluated alongside spending priorities.

Updated Resource Forecast

An updated position on forecast resources is set out in the table below:

Revised Resources Forecast – November 2020						
	2021/22			2022/23	2023/24	2024/25
	Original	Revised Nov	Net Reduction / (Increase)	Net Reduction / (Increase)	Net Reduction / (Increase)	Net Reduction / (Increase)
	£m	£m	£m	£m	£m	£m
Total Resource Forecast	167.446	160.435	7.008	4.397	1.269	(0.764)
Analysis:						
Improved Better Care Fund	7.405	7.405	0.000	0.000	0.000	0.000
Social Care Grant	1.395	1.395	0.000	0.000	0.000	0.000
New Homes Bonus	0.235	0.235	0.000	0.000	0.000	0.000
Social Care £1bn	3.375	3.375	0.000	0.000	0.000	0.000
NHS Funding/Contribution	0.400	0.000	0.400	0.400	0.400	0.400
Independent Living Fund	0.291	0.291	0.000	0.000	0.000	0.000
LCTS Admin Grant	0.230	0.230	0.000	0.000	0.000	0.000
Housing Benefit Admin Grant	0.520	0.520	0.000	0.000	0.000	0.000
Sub Total	13.851	13.451	0.400	0.400	0.400	0.400
Council Tax	90.747	87.987	2.760	0.559	(1.766)	(3.368)
Business Rates	62.846	58.997	3.848	3.439	2.635	2.205
Sub Total	153.593	146.984	6.609	3.997	0.869	(1.164)
TOTAL	167.446	160.435	7.009	4.397	1.269	(0.764)

2.8 The calculation of resources assumes:

- **Continuation of grants at 2020/21 levels** – There is currently no information on the level of grants for 2021/22 and future years and therefore it has been assumed that these will continue at existing levels;
- **Council tax increase of 2% per annum** – This is subject to political decision making however was included in the MTFS when it was set in February 2020. A 1% change in council tax is equivalent to £0.8m;
- **Collection Rates for council tax and business rates** – This is currently an extremely volatile situation and continues to be significantly impacted by Covid-19 and the wider economic impact on our residents and businesses. Currently a reduction in council tax collection from the previously assumed 96.5% to 94.5% has been reflected in the figures (this reflects an improvement in the last two months of the current financial year). Similar assumptions have been made on business rates though there is a risk that these are artificially high and are being masked by the additional S31 grants received from the government;

- **Council Tax Growth** – A review of empty properties and current growth has identified £1.257m that can be built into the baseline for 2021/22. In addition to this, a further 1% in the council tax growth has been assumed generating a further anticipated £3.294m over the subsequent financial years. This has now been built into the base;
- **Rephasing of 2020/21 collection fund deficit over 3 financial years** – The final accounting regulations have now been released however councils have been advised that they can phase the 2020/21 impact over 3 financial years. For Bury this is £1.976m applied equally over the 3 years. This is the new cost for Bury after taking account of S31 grants (£26m) that were made available to local authorities in 2020/21 to cover the cost of the business rates holiday for eligible businesses in the retail, hospitality and leisure sectors.

Refresh of Savings Plan

2.9 When the 2020/21 budget was set in February 2020 a total of £4.162m savings were reflected in the budget. Some of these savings were expected to increase over the next financial years increasing to £4.629m in 2021/22 and £4.964m in 2022/23. In July, Cabinet agreed that where savings were not considered deliverable, alternative efficiencies should be identified where possible. Some alternative areas of efficiency have been identified and approved by Cabinet as replacements for those that are not achievable. Two savings have however emerged as unachievable:

- Corporate Landlord (£0.585m). Savings on the corporate landlord model are not currently deliverable as initially anticipated however work on the one public estate, the corporate facilities management function, the consolidation of the council's properties and a move towards agile working as part of the wider transformation programme will deliver savings. It is proposed that savings will be generated in future years to offset this proposal through a reduction in the Council's estate, creation of public service hubs and sharing of premises with partners;
- Architects Service (£0.525m). Savings on staff have been reflected in previous budget rounds however the associated income loss has not been addressed which has created an undeliverable pressure on the service.

It is proposed that these be added back into the forecast.

Update and Refresh of Demand Assumptions

2.10 Some demand assumptions had already been reflected in the MTFs when the 2020/21 budget was set however an assessment of current demand trends and other known factors suggest that a further £11.684m in ongoing costs is required over the next 4 years of which £9.725m is required in the first two financial years. The impact of Covid-19 has been reflected in demand and is a key driver for a higher than anticipated increase particularly in the early years of the strategy. Of the £3.188m demand pressures in 2020/21, £1.980m is Covid-19 related (adults social care, looked after children placements, home to school transport and legal costs), the remainder reflecting changes in demand/demographics etc.

A summary is set out in the table below and a full analysis at Appendix A.

Analysis of Cost Pressures Reflected in the MTFS				
	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m
Previously Agreed Costs	1.115	0.000	0.000	0.000
Pay Award	0.250	0.000	0.000	0.000
Inflation	0.239	0.613	0.591	0.658
Demand	3.188	0.324	0.398	0.312
DSG Related Costs	2.295	0.000	0.000	0.000
Fall Out of Time Limited Funding	0.600	0.000	0.000	0.000
Undeliverable Savings from previous years	1.110	0.000	0.000	0.000
TOTAL	8.798	0.937	0.989	0.970

2.11 In addition to reviewing demand, a review of income assumptions has also been carried out:

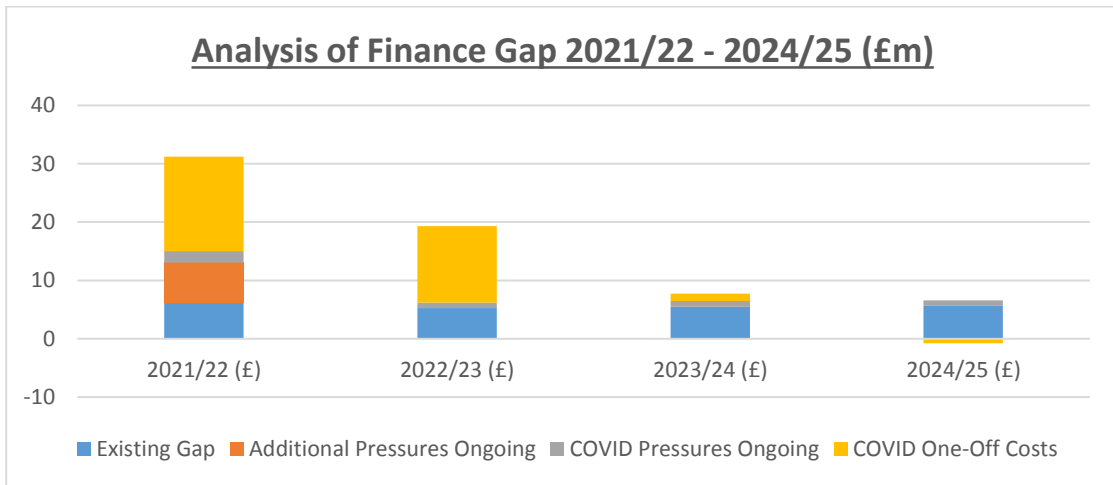
- The Council has a strategic investment in the Manchester Airport Group and has budgeted income within the financial strategy of £5.9m. In line with the principles of the mid-range scenario it has been assumed that the dividend will not be paid in the 2021/22 and 2022/23 financial years after which it will recover in full;
- The Council has previously provided strategic investment loans to Manchester Airport the interest payment for which is received in twice yearly instalments. These loan repayments are not forecast to be payable in the 2021/22 and 2022/23 financial years and it is therefore considered prudent that provision for these be made in the Council's strategy equivalent to £2.256m per annum;
- It has also been assumed that some of the income losses relating to car parking, leisure etc. will not recover to current budget levels for the same period of time. Both of these are shown as one-off losses to be met from reserves as they are directly related to Covid-19.

3 REVISED POSITION

3.1 The table below sets out the revised position in light of the MTFS update and is split between those costs that are deemed to be one-off and those that are deemed to be ongoing.

Updated MTFS Position November 2020				
	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m
Original Gap (Ongoing)	6.203	5.269	5.472	5.616
Additional Cost Pressures (Ongoing)	8.798	0.937	0.989	0.970
Annual Revised Gap (Ongoing)	15.001	6.206	6.461	6.586
Cumulative Revised Gap (Ongoing)	15.001	21.207	27.668	34.254
One-Off Funding Shortfall	7.009	4.397	1.269	(0.763)
Income Loss	9.233	8.694	0.000	0.000
Annual Short Term Funding Shortfall	16.242	13.091	1.269	(0.763)
Cumulative Short Term Funding Shortfall	16.242	29.333	30.602	29.839
Annual Gap (One-Off and Ongoing)	31.243	19.297	7.730	5.823
Cumulative Gap (One-Off and Ongoing)		50.540	58.270	64.093

- 3.2 In total £64.093m of savings are forecast to be required over the next 4 financial years which is an improvement on the previously forecast position largely due to improved forecast position on the collection fund and council tax base.



4 MANAGING THE GAP

- 4.1 To manage the gap, Cabinet agreed that this would be a combination of reserves, budget reductions and efficiencies through transformation. Based on the current position, it is not unrealistic to assume that the one-off losses can be met from one-off reserves and the remainder through budget reductions and transformation. In the broadest terms this means that £34.2m of savings are required on an ongoing basis over the next 4 years, of which £21.2m is required in the first two financial years. The call on reserves over the 4 years is forecast to be £29.9m of which £29.3m is required in the first two financial years.
- 4.2 Bury's reserves have been historically low however a review of the collection fund in the last financial year, and a commitment to make planned contributions to general reserves, was an opportunity to see reserves grow in the short term. Due to the position outlined above the call on reserves is now likely to be significant and must be reviewed as an integral part of budget monitoring and through the development of the strategy. With this in mind the focus of the savings delivery plans is on the first two financial years in order to demonstrate financial sustainability and resilience in the longer term.
- 4.3 The options developed to date are set out below and are summarised at Appendix B. In total these total £6.437m in 2021/22 increasing to £13.974m in 2023/24. The proposed options include:

Children and Young People (£1.125m)

- 4.4 Wider transformation of the children and young people's service is envisaged and to support this a further diagnostic piece of work which will commence towards the end of the year to consider what opportunities may be available in the future. This piece of work will focus on a whole system analysis to ensure that practice in family support and prevention is robust in all areas of service delivery and is front loaded to ensure that the best evidence based interventions are available at the earliest opportunity without unnecessary reference to referral and thresholds. Avoiding escalation to costly care options, particularly out of borough placements, is the most effective way to reduce spending. The analysis will provide modelling and close monitoring of the relationship between early help in the form of locality, and settings based family work in close alignment with all locality based delivery partners and reduction in the need for statutory

intervention. This is in line with the neighbourhood model of the public service integration proposed in the Bury 2030 strategy. The analysis will provide for a challenging comprehensive narrative to be developed and shared, which will raise expectations for families from their Council, their schools and their health services, particularly in respect of inclusivity, co-production and family self-efficacy. This requires a whole system focus on some agreed principles and ways of working, including focusing money where it has most impact, ensuring most work with families is undertaken in community settings, empowering communities to act to prevent escalation to statutory services and reducing dependency on costly and sometimes ineffective provision. It requires helping people to receive and exit statutory services when needed as rapidly as possible.

- 4.5 The Council has made a good start on this journey with its commitment to Early Help and locality based working and has made some progress in reducing the number of school placements in out of borough Independent Non Maintained Sector. Additionally, the Council is engaging with the Department of Education who are working with local authorities with significant deficit balances on their Dedicated Schools Grant. The opportunity to consider the relationship between funding and expenditure will be explored at the time. In the meantime, the Council continues to manage its relationship with increasingly autonomous schools, maintaining a focus on its statutory and strategic role in promoting high quality education, skills and training and ensuring that the needs of the most vulnerable children and those with additional needs are met.
- 4.6 The Children & Young People Directorate will work on joint strategies such as the All Age Learning Disabilities Strategy referenced below, making sure that opportunities to work as a whole system are maximised.

One Commissioning Organisation

Transformation and Innovative Commissioning - All Age Disability Integration (£3m)

- 4.7 Our vision for Learning Disabilities (LD) services in Bury is an all age service, which would remove the need for transitions providing one smooth pathway for customers. To do this we will work differently recognising peoples strengths, ensuring all care is outcome focused, so all customers are aware that it's individual first not their disability. It is recognised that current practice to support people through the transitions process could be better therefore we are focussing on transitions planning, in particular those young people transitioning to adult's services in the coming 24 months.
- 4.8 We will focus on those transitioning from Children and Young Peoples services at an earlier age, ideally 13/14 years, this will enable more appropriate support of the individual and their family to be put in place. This will better manage expectations of the transitions process and potential reduction in support packages preventing less upset and chaos for those involved.
- 4.9 We need to prevent out of borough placements where possible, therefore we will work collaboratively with partners to improve our local offer i.e. education, housing, respite thus allowing individuals to remain part of their community and improve equity for all Bury customers. Achieving this will realise savings in reduction in care package values relevant to aspired outcomes that are more suitable, encourage independence, choice and control for our young adults.

Adult Social Care Personalisation and Transformation (£2m)

- 4.10 We will be moving from our traditional approach of social care assessment and support planning to a more personalised approach, recognising the strength of our residents and

ensuring community, family and carer support options are fully explored before providing additional support. The support provided will focus on how we enable the person to achieve their outcomes rather than providing or doing it for or to them. There is extensive research to show working this way delivers outcomes for people and reduces demand. Alongside the transformation and savings work the Principal Social Worker in Bury will lead a programme of workforce development that will bring about:

- Strength and asset based approach
- Ethnographic thinking
- Personalised conversations
- New quality assurance framework
- Providing social care with the tools and information to work differently

Development of Assistive Technology (£0.500m)

- 4.11 Assistive Technologies is a range of equipment designed to prompt and assist people with everyday activities which have become difficult. They support people to stay safe and independent in their own home for as long as possible. Often called personalised technology because it is not about the technology, but the people and how providers can enhance lives. Solutions include anything from telecare equipment and environmental controls, to mobile technology and communication aids. The gadgets and equipment selected will meet someone's daily needs, whether at home, out and about in the community or at work.
- 4.12 A review of other local authorities has highlighted opportunities that not only deliver better outcomes for people and services but also significant savings. The initial findings suggest the amount of savings is dependent on a number of factors, willingness to invest to save, dedicated leadership/ team, innovation to continually develop, buy in from health and social care staff and an appetite to mainstream Assistive Tech across Social Care.

Improved Housing Options for people with disabilities (£0.1m)

- 4.13 The links between housing and social have never been more important and these are set out in the draft Housing Strategy approved by Cabinet for consultation on 14 October 2020. It is our intention to better utilise properties available, ensure they are of good quality, value for money, fit for purpose for the intended client groups and used in the best way possible. To achieve this involves improving existing stock and exploring new ways to develop local specialist housing options.

To enable us to achieve this we need to;

- Increase our shared lives scheme to deal with increased demand for the service that will come from a range of customers including reducing those in supported living.
- Develop the aspirational 'own front door' concept of a number of individual self-contained units as currently many people live in accommodation with shared facilities i.e. kitchens, bathrooms. With onsite support available 24/7, the costs of sharing support arrangement will realised savings and provide better quality of life for customers.
- Reconfigure and/or realign current specialist housing stock to reduce increasing voids costs to the council and providers. Develop connections between housing and social care system to provide improved accommodation options in borough.
- Reduce number of high cost out of borough placements through increasing adequate local accommodation opportunities.

- Decommission empty properties/spaces that have financial implications and work with providers to better use their available stock to prevent (where possible) market destabilisation.

Effective and Innovative Commissioning (£3.387m)

- 4.14 The focus of high quality, effective and innovative commissioning is on people, health and wellbeing, achieving good outcomes with using evidence, local knowledge, skills and resources to best effect. This means working in partnership across the health and social care system to promote health and wellbeing and prevent, as far as is possible, the need for health and social care.
- 4.15 Every person using health and social care services deserves the highest quality care and support, and the maximum opportunity to influence how that support is arranged and managed. Effective commissioning plays a central role in driving up quality, enabling people to meaningfully direct their own care, facilitating integrated service delivery and making effective use of available resources.
- 4.16 Commissioning is the Councils cyclical activity to assess the needs of the local population for care and support services, then designing, delivering, monitoring and evaluating those services to ensure person-centred and outcomes-focused delivery. In addition, good commissioning ensures a vibrant, diverse and sustainable market to deliver positive outcomes for people and communities, actively encouraging and promoting investment and innovation in the market in partnership care providers.
- 4.17 A number of areas have been prioritised to consider and test our approach to deliver effective and innovative commissioning:-
- Increased contribution from health into the pooled budget,
 - More effective and efficient payment of Care at Home,
 - Continuation of the work in respect of effective Market management in borough
 - More effective management of personal budgets
- 4.18 The proposals in adult social care are with the grain of transformation programmes articulated in the Locality plan for health and care 2019-2024 which highlighted the potential of a health and care system wide gap in funding of £86m of which £27m was identified as associated with in scope local authority services. The implementation of the proposals will be managed as part of the health and care recovery and transformation programme and specifically the community programme of work.

Packages of Care Reviews (£3.462m)

- 4.19 Extensive research shows there are better outcomes for people when done 'with' the person rather than 'to' or 'for' the person. Alongside the transformation Bury is leading a programme of workforce development that will bring about:
- Strength and asset based approach
 - Ethnographic thinking
 - Personalised conversations
 - New quality assurance framework
 - Providing social care with the tools and information to work differently

- 4.20 This workforce development will ultimately lead to behavioural change of the social care workforce that overtime will reduce the reliance on traditional care.
- 4.21 Service delivery will continue with a different vision and new ways of working, considering alternative options for people, in most cases better options. This may result in some packages of care being reduced following a review process. In these instances best interest outcomes will be considered whilst ensuring statutory requirements are met. This work is not focused on removing support irrationally, rather considering alternative options that may not have been available at the point of assessment due to new ways of transformational working.

Operations

Civic Venues (£0.132m)

- 4.22 The Council operates a number of civic venues some of which operate at a loss and are also in need of significant investment in future years. Closure of the venues is proposed and will generate an ongoing saving as well as avoid the cost of future capital investment.

Waste Review and Vehicle Rationalisation (£0.237m)

- 4.23 This will involve continuation of the vehicle rationalisation programme, optimising waste collection rounds and street cleansing litter rounds as well as looking at opportunities to increase household waste recycling rates beyond 60% through:
- A comprehensive, sustained communications campaign which would require recruitment of additional staff and ongoing engagement with residents.
 - Potential to enforce recycling, involving the issue of fines to residents who do not put 'the right stuff in the right bin'.
 - Collection of a wider range of recyclables e.g. plastic pots, tubs and trays; textiles; batteries; small Waste Electrical and Electronic Equipment.
 - Promotion of home composting, with an offer of subsidised compost bins to residents.

Dimming of Street Lights (£0.030m)

- 4.24 A street lighting column replacement programme is already underway in Bury. As a result of this programme, approximately 3,500 street lighting columns across Bury will be equipped with energy efficient LED lanterns which are able to be dimmed.
- 4.25 It is proposed to dim these lanterns between 00:00hrs and 06:00hrs, which will realise a reduction in carbon output and energy consumption in the region of 80 tonnes and £40,000 per annum respectively, therefore supporting a lower carbon economy, greater resilience to climate change and cleaner growth.
- 4.26 The proposed dimmed lighting levels will remain in line with the current British Standard Specification whilst providing adequate levels of lighting on the highway. It is important to note that the public will notice very little change in lighting quality from street lights being dimmed. A number of pilots have already taken place across Bury, with no negative feedback being received.
- 4.27 If implemented, the changes will enable the Council to reduce light pollution, and its negative effects on residents' sleep patterns, certain nocturnal animals, plant species and people's enjoyment of the night sky.

5 TRANSFORMATION

- 5.1 When the Council's budget for 2020/21 was set in February 2020, the need for transformation was central to the strategy going forward and, in recognition of this, a fund of £5.8m was created to support transformation with the expectation that long term savings would be delivered. In managing the gap, it is proposed that a total of £5m be delivered through transformation in the first two financial years and the fund will be used to provide capacity to drive the agenda forward and make long term change .
- 5.2 Transformation projects will be pursued that improve service outcomes and can deliver efficiency savings as well. Initial areas of focus are set out below:

Transformation Workstream	Proposed savings option
Leadership	Agile Working model – improvement in staff productivity and reduction in Council owned and occupied buildings and operating costs
Process	A council Customer service strategy - channel shift opportunity to extend the Council's reach to communities and secure economies of scale by streamlining all customer contact into a coherent corporate function
	A joint business support review to establish a modern and cost effective service which reduces cost through: <ul style="list-style-type: none"> • Simplified and standardised support process, enabled by MS Teams collaborative tools • An expectation of user self-service through digital capabilities via i-Trent and MS Teams and corporate behaviours such as open diaries • An agile working model which removes the need to arrange and manage meeting rooms • Paperless meetings without the need for printing, postage and filing
Workforce	Management efficiencies within the Council through consistent and efficient spans of management control and organisational hierarchy

- 5.3 The options above are expected to make a significant contribution to the £5m target but more options are likely to be required to balance the budget over the next two years. Work is underway to engage a partner to lead a piece of “Design and Discovery” analysis, as follows:
- Assess the Council's costs, resources and delivery arrangements against sector best practice generally and public sector reform in particular. Deliverables from the initial discovery phase during this financial year will be required as follows:
 - A future operating model proposed based on strength based, community first principles.
 - Cost and use of resources analysis using benchmarks from across local government and other appropriate comparators.
 - Financial modelling using a range of techniques to reassess current allocation.
 - Proposal of a series of further potential budget options to reduce costs and maintain / improve outcomes.
- 5.4 As part of the Council's relationship with Microsoft a piece of digital design and discovery analysis is also underway, without additional cost, to assess systems requirements and opportunity across the strands of:

- Executive priorities, with reference to the Bury 2030 Strategy and Corporate Plan.
- Customer services, related to the specific budget option proposed.
- Data expectations and potential.

5.5 The output of this analysis will be advice on the digital journey including an indication of timescale and business-case based investment requirements.

5.6 In developing the transformation plan, it is essential that the rigour and the governance is in place to ensure that the plan remains on track and that overall cost of the business is reduced. To enable this to happen, a Delivery Unit was established in the September 2020 Cabinet report, comprised of a small team of programme and project managers which operate within the Corporate Core but work organisation-wide to establish and deliver all budget options and corporate transformation activity as a single programme of work. This Unit will create:

- an overarching programme plan for all transformation activity including all corporate budget savings options;
- a consistent delivery methodology;
- regular update reports to Members;
- corporate “check and challenge” of proposed options to ensure a consistent approach to such issues as stakeholder consultation;
- risk management and the use of resources to ensure, for example, that savings in one part of the organisation do not create costs in another.

5.7 The Delivery Unit will be directed by the Corporate Core Leadership team, specifically the Deputy Chief Executive (Corporate Core); the Executive Director Financial Transformation and the Chief Information Officer, supported by wider members of the Corporate Core Management Team. The Transformation Strategy will be included within the Leader’s portfolio and regular updates provided to Cabinet.

6 OVERALL POSITION

6.1 The table below sets out the position taking into account the options and shows that overall there is a shortfall of £15.280m over the 4 year period with a gap outstanding of £4.194m at the end of the first two years which is the area of focus.

Updated MTFS Position November 2020				
	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m
Annual Revised Gap (Ongoing)	15.001	6.206	6.461	6.586
Annual Short Term Funding Shortfall	16.242	13.091	1.269	(0.763)
Total Shortfall	31.243	19.297	7.730	5.823
Planned Use of Reserves	(16.242)	(13.091)	(1.269)	0.763
Proposed Budget Options	(6.437)	(5.576)	(1.961)	0.000
Transformation	(1.500)	(3.500)	0.000	0.000
Remaining Gap	7.064	(2.870)	4.500	6.586
Cumulative Gap	7.064	4.194	8.694	15.280

6.2 Clearly there is still some more progress to be made and the Executive Team is currently looking at other options that can be used to bridge the gap. The outcome of this work will

be reported in subsequent reports to Cabinet. Phasing of savings between the first two financial years is challenging due to the lead in time for some savings to be delivered. As it stands, the gap in 2021/22 is £7.064m and if not addressed would fall to reserves which will place greater pressure on the reserves position which, as previously recognised, is an integral and critical strand to the overall strategy and long term sustainability of the Council.

7 RESERVES

- 7.1 As part of the budget setting process, the Council's S151 statutory officer is required to assess the adequacy of the Council's reserves in light of risks both known and unknown at that time. If it is the S151's opinion that that reserves are not adequate and are below an adequate level to reflect the risks and therefore the setting of a balanced budget was at risk then further statutory responsibilities under S114 of the Local Government Finance Act exist and a formal report to Council would have to be issued.
- 7.2 The Ministry of Housing, Communities and Local Government (MHCLG) are liaising with all local authorities to identify those at risk of a S114 and to establish what exceptional support could be given. Based on what is known, Bury's reserves remain adequate for the 2021/22 financial year although it is recognised that the situation will need to be carefully monitored during the year and as part of the development of the 2022/23 budget and beyond.
- 7.3 To illustrate this further, the forecast position on the Council's reserves is set out in the table below and assumes that all ongoing savings will be identified and delivered:

Forecast Position on Reserves - Assumes all ongoing savings delivered				
	2019/20	2020/21	2021/22	2022/23
General Reserves	6.989	24.566	15.911	10.407
Corporate Reserves	7.794	7.544	7.294	7.044
Transformation Reserve	0.000	4.800	2.300	0.000
Directorate Reserves	0.992	0.742	0.492	0.242
Fiscal and Risk Management Reserves	34.174	30.174	22.074	13.974
External/Grant Funded Reserves	17.522	2.716	1.216	0.000
Capital Reserves	3.272	3.272	0.000	0.000
Sub Total	70.743	73.814	49.287	31.667
DSG Reserve	(20.067)	(24.531)	(24.231)	(22.431)
TOTAL FORECAST RESERVES	50.676	49.283	25.056	9.236

- 7.4 The DSG reserve deficit is significant and, in line with the current legislation, is offset against the Council's reserves. It is anticipated that a statutory override will be announced shortly to remove the link between the DSG deficit and the Council's reserves however until this is issued the reserve is shown as part of the overall position on reserves.
- 7.5 It is clear that the impact in the first two financial years of the financial strategy, 2021/22 and 2022/23, is significant and this has to be the immediate focus for planning purposes in order to ensure financial sustainability and resilience in future years.
- 7.6 Clearly to be financially resilient and sustainable the Council needs to deliver significant savings in the short and medium term. It is a statutory requirement that councils are able to deliver a balanced budget each financial year and based on the current information this

may not be possible beyond the 2022/23 financial year or earlier if ongoing cashable savings are not delivered.

- 7.7 Building back reserves through one-off monies, including capital receipts, are currently being developed which, if successful, will reduce the run rate' on reserves and contribute to the longer term sustainability. Proposals on how these may be achieved will be presented to Cabinet for consideration in due course.

8 CHALLENGE AND SCRUTINY

- 8.1 A challenge and scrutiny process has been built into the MTFS development and will include:
- o Enhanced scrutiny and assessment of spending/savings proposals for consideration. This will be carried out by the Executive Team;
 - o Independent evidence will be used to challenge the extent of savings including cost comparisons, commerciality and the financial viability of services and benchmarking information;
 - o Opportunity for scrutiny through the Council's Overview and Scrutiny process.
- 8.2 An outline timetable is set out below.

Budget Setting Timetable		
Consideration of Savings Options	November	Cabinet
Capital Programme Update	November	Cabinet
Quarter 2 Monitoring Position	November	Cabinet
Budget Scrutiny	November	Scrutiny
Capital Programme Proposals	January	Cabinet
Final Proposals for Consideration	January	Cabinet
Budget Scrutiny	January	Scrutiny
Budget Finalised and set	February	Council

- 8.3 A key programme of change and delivery will emerge from the approach outlined and it is essential that capacity is available to fully support the process. Project management support will be secured in order to ensure the plans are properly defined, are on track and that escalations are made when necessary. These costs will be met from the transformation fund and from the corporate capacity budget that was reflected in the 2020/21 budget on an ongoing basis.
- 8.4 Challenge and scrutiny on the proposals and implementation will also need to be considered in the operation of the pooled budget between council and CCG - recognising both opportunities for shared investment in demand reduction, and unintended financial consequences of service reductions being seen as additional costs to the pool.

8 Risks and Opportunities

- 9.1 There still remain significant risks within the budget including the potential changes to the funding for Clinical Commissioning Groups and future funding arrangements. The financial regime in which Bury Clinical Commissioning Group operates is subject to clarification in national guidance. This guidance is still awaited.
- 9.2 There is also significant risks of changes in the funding settlement from government, the fact that a one year only settlement will be received and therefore make longer term planning more difficult. Other risks include the wider economic impact on our communities that could see demand for services increase and income collection,

particularly council tax and business rates, reduce and the loss of income from the airport as a result of Covid-19.

- 9.3 Other risks and opportunities are set out later in the report and reflect on potential changes to assumptions made in the model relating to pay awards, inflation, borrowing costs etc. are set out below:

Sensitivity Analysis Risks and Opportunities		
		£m
Fair Funding and Review of Business Rates	+/- 1% change	0.600
Council Tax	+1 1% change	0.800
Pay Inflation	+/- 1% change	1.000
Price Inflation	+/- 1% change	0.500
Capital Financing Borrowing	£5m of investment	0.400

- 9.4 Any delay in the delivery of savings will place greater pressure on reserves and the profiling of savings to ensure more can be brought forward for the first year of the strategy needs to be considered as a mitigating action.
- 9.5 The opportunity to leverage long term savings through better utilisation and prioritisation of the capital programme is being reviewed alongside the development of the capital programme for 2021/22 onwards.
- 9.6 The pace at which change within the organisation can happen is also a risk and plans will need to be developed to ensure there are the skills in place and that any emerging issues are quickly identified and mitigations put in place.

10 Recommendations

10.1 Cabinet is asked to:

- Approve the 2021/22 to 2024/25 medium term financial and budget strategy including the savings proposals for the purposes of a conversation with the public, key stakeholders and staff to inform the final budget proposals to Full Council in February and that these proposals will be presented to the Overview and Scrutiny Committee as part of the process;
- Note the significant uncertainty in funding and that the MTFs will be updated and reviewed in light of the announcements anticipated in December 2020;
- Note the budget gap of £64.093m over the 4 years of which £31.243m relates to 2021/22 prior to any proposed savings and the proposed use of reserves;
- Note the residual gap of £15.280m over the 4 year period should all savings proposals and use of reserves be ultimately accepted and that a gap of £4.194m remains by the end of the second year of the strategy (2022/23) and that further work is underway to identify further options;
- Note the planned work on transformation and that a saving of £5m, the key themes of which are described in the report, are expected to generate savings of £5m to contribute towards the savings target;
- Note the projected position on the Council's reserves and the intention to bring forward proposals to generate one-off income that can be utilised to supplement reserves and reduce the 'run rate', i.e. capital receipts;
- Note the further work underway on the Council's capital programme and to prioritise projects that can deliver better outcomes and reduce the revenue funding requirements;

- Note that the initial proposals as a conversation prompt will be considered by the Strategic Commissioning Board in December alongside emergent clarity on the CCG financial position for 2021/22 and in the context of the commitment to the pooled budget for health and care between the Council and the CCG.

Community impact

There are no community impacts arising from this report at this stage. As the budget process continues, the impacts on our communities will be considered and reported.

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
The proposed strategy is intended to reflect the known financial position and to reflect emerging changes in funding and costs over the next 4 years to enable the Council to understand its financial position and long term financial resilience and sustainability.	The development and refresh of the medium term financial strategy ensures the Council has an up to date position and assessment of its finances and has an overarching strategy for delivering and managing the funding gap.

--	--

Consultation:

The Council is legally required to consult on service changes or reductions. Some options, which are clearly indicated, will therefore require a period of formal consultation. Others will not diminish overall levels of provision and therefore do not require community consultation.

As a matter of good practice the Council is entering into a period of structured conversation with the community about the financial position and plans to mitigate it. The conversation is an inextricable part of the 2030 strategy and therefore the consultation materials already published include the opportunity to feedback about use of resources. The community will be reminded of this process next week when the cabinet report is considered. All staff will be briefed on proposals being put forward this week, when papers are published.

The budget conversation will continue until January 2020 when a final report will be presented to the Cabinet including key messages of feedback and the CSR position from government. At this stage final decisions will be taken about the basis of budget proposals to be taken to full council for agreement.

A period of 30 days formal consultation will be allowed before any decisions are taken for those options that involve statutory service change and are legally subject to this requirement.

The Strategic Commissioning Board will consider both the Council proposals and the emergent national context for the Clinical Commissioning Group and ensure that the issue of interdependence are identified and considered.

Legal Implications:

The Local Government Finance Act 1992 (LGFA 1992) requires the Council to set a balanced budget, including the level of the Council tax. This means the income from all sources must meet the proposed expenditure. Best estimates must be employed to identify all anticipated expenditure and resources.

The approval of the Council's budget and Council Tax, and the adoption of a final strategy for the control of the Council's borrowing or capital expenditure are matters reserved, by law, to full Council. However, the Cabinet has responsibility for preparing, revising and submitting to Council estimates of the various amounts which must be aggregated in making the calculations required in order to set the budget and the Council tax; and may make recommendations on the borrowing and capital expenditure strategy. This Report is an important step in ensuring the Cabinet are able to provide these estimate before February 2021.

Local authorities must decide every year how much income they are going to raise from Council Tax. This decision must be based on a budget that sets out estimates of what the Council plans to spend on services. As the Council Tax must be set at the start of the financial year and cannot

be increased during the year, consideration must be given to risks and uncertainties, and allowances made in funds for contingencies and reserves as outlined in the Report.

The Local Government Act 2003 establishes a system to regulate the capital expenditure and borrowing of the Council. The heart of the prudential borrowing system is the duty imposed upon authorities to determine and keep under review how much money they can afford to borrow. This Report will assist in that regard.

Financial Implications:

The proposed approach will support the Council in its statutory duty to deliver a balanced budget for the 2021/22 financial year. The report sets out some options for managing the financial gap or future years and proposed use of reserves to support the strategy on a one-off basis to assist with the impact of Covid. Failure to act will mean that that the Council's long term financial sustainability and resilience will be at risk.

Report Author and Contact Details:

Lisa Kitto
Interim Director of Financial Transformation

Background papers:

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

Approach to developing the Medium Term Financial Strategy 2020/21 – 2024/25

The Council's Financial Position 2020/21 – As at 30 June 2020

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

Term	Meaning
MTFS	Medium Term Financial Strategy
CSR	Comprehensive Spending Review
DSG	Dedicated Schools Grant
MHCLG	Ministry for Housing, Communities and Local Government
DFE	Department for Education

Appendix A

Analysis of Cost Pressures Reflected in the MTFS				
	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m
Previously Agreed				
Employee Assistance Programme	0.015	0.000	0.000	0.000
Borrowing Costs – Strategic Investments	1.100	0.000	0.000	0.000
Sub Total	1.115	0.000	0.000	0.000
Pay				
Pay Award 2020/21 Catch Up (2.75%)	0.250	0.000	0.000	0.000
Sub Total	0.250	0.000	0.000	0.000
Inflation				
Residential Care Living Wage Adjustment	-0.135	0.024	0.028	0.032
External Foster Placements	0.006	0.046	0.051	0.055
Fostering, Adoption and Leaving Care Allowances	-0.058	0.030	0.031	0.035
Support Packages and Direct Payments (CYP)	-0.022	0.002	0.002	0.001
Premature Retirement Costs (CYP)	-0.018	-0.013	-0.012	-0.014
Community Care Contract	0.219	0.205	0.175	0.162
Residential Care	0.247	0.319	0.315	0.387
Sub Total	0.239	0.613	0.591	0.658
Demand				
External Legal provision (CYP)	0.150	0.000	0.000	0.000
Home to School Transport	0.441	0.000	0.000	0.000
Increase in Looked After Children	0.452	0.000	0.000	0.000
Care in the Community – Covid Increase	0.937	0.000	0.000	0.000
Transition from Children’s Services	0.259	0.324	0.398	0.312
Winter Maintenance	0.082	0.000	0.000	0.000
Legal Services	0.150	0.000	0.000	0.000
New Homes Bonus Adjustment	0.597	0.000	0.000	0.000
Moderations	0.120	0.000	0.000	0.000
Sub Total	3.188	0.324	0.398	0.312
Costs Previously Funded from DSG				
SEN Team	0.255	0.000	0.000	0.000
16-19 Team	0.056	0.000	0.000	0.000
LAC Education (Virtual Headteacher)	0.200	0.000	0.000	0.000
Connexions Bury	0.315	0.000	0.000	0.000
Youth Service general	0.234	0.000	0.000	0.000
Oasis Team (Early Help)	0.495	0.000	0.000	0.000
CAMHS	0.233	0.000	0.000	0.000
Victoria Family Centre	0.507	0.000	0.000	0.000
Sub Total	2.295	0.000	0.000	0.000
Fall out of Time Limited Funding				
Reablement	0.600	0.000	0.000	0.000
Sub Total	0.600	0.000	0.000	0.000
Unachievable Savings				
Corporate Landlord Model	0.585	0.000	0.000	0.000
Architects Review	0.525	0.000	0.000	0.000
Sub Total	1.110	0.000	0.000	0.000
TOTAL	8.798	0.937	0.989	0.970

Appendix B

Analysis of Budget Options (2021/22 – 2045/25)					
Directorate	Description	2021/22	2022/23	2023/24	2024/25
		£m	£m	£m	£m
Children and Young People	Deletion of vacancies	0.694	(0.309)	0.000	0.000
Children and Young People	Contract Reviews	0.120	0.000	0.000	0.000
Children and Young People	Review of Placements	0.300	0.120	0.000	0.000
Children and Young People	Review of Children's centres	0.100	0.100	0.000	0.100
	Sub Total	1.214	(0.089)	0.000	0.000
One Commissioning Organisation	Innovative Commissioning	1.050	1.750	0.200	0.000
One Commissioning Organisation	Personalisation and Transformation	0.000	1.000	1.000	0.000
One Commissioning Organisation	Development of Assistive Technology	0.000	0.500	0.000	0.000
One Commissioning Organisation	Improved Housing Options	0.000	0.050	0.050	0.000
One Commissioning Organisation	Effective and Innovative Commissioning	2.987	0.300	0.100	0.000
One Commissioning Organisation	Review of Care Packages	0.797	2.055	0.611	0.000
	Sub Total	4.834	5.655	1.961	0.000
Operations	Closure of Civic Venues	0.132	0.000	0.000	0.000
Operations	Review of Waste Services/Fleet Rationalisation	0.237	0.000	0.000	0.000
Operations	Street Light Dimming	0.020	0.010	0.000	0.000
	Sub Total	0.389	0.010	0.000	0.000
TOTAL BUDGET OPTIONS		6.437	5.576	1.961	0.000