Classification: Open	Decision Type: Non-Key

Report to:	Overview and Scruity Committee – 8 February 2020 Cabinet- 16 February 2022	**Date:** 16 February 2022
Subject:	The Council's Financial Position as at 31st December 2021	
Report of	Leader and Cabinet Member for Finance and Growth	

Summary

1. This report outlines the forecast financial position of the Council at the end of 2021/22 based on the information known at the end of the third quarter, 31st December 2021. The report sets out the position for both revenue and capital and provides an analysis of the variances, both under and overspending.

Recommendations

2. Overview and scrutiny Committee is asked to note the contents of this report

Cabinet is asked to -

3. To note the forecast underspend of £1.247m within the revenue budgets at quarter 3 and the need for Directorates to continue to work with their finance managers to maintain tight budgetary control and to ensure services work within their budgets;

4. To approve the establishment of a £3m Children and Young People's reserve to support the funding requirements identified as a consequence of the actions required following the OFSTED report and a £1m reserve for the balance required to meet the employers pay award offer of 1.75%;

5. To note the use of the Covid Outbreak Management Fund and departmental reserves in line with the criteria and one off departmental priorities;

6. To note the position on the Dedicated Schools Grant, Collection Fund and the Housing Revenue Account;

7. To note the underspend of £0.457m on the capital programme;

8. To approve a reduction in the capital programme of £6.209m due to timing of grant conditions and additional external funding being secured;

9. To approve re-phasing of the capital programmes into 2022/23 financial year of £57.734m from the current programme;

10. To approve a contribution of £567k to reserves for free school meals during school holidays which wasn't required in 2021/22;

Reasons for recommendation(s)

11. To ensure the Council's budgetary targets are achieved.

Purpose of the Report

12. This report outlines the forecast financial position of the Council at the end of2021/22 based on the information known at the end of the third quarter, 31st December 2021. The report sets out the position for both revenue and capital andprovides an analysis of the variances, both under and overspending.

Background

13. These are unprecedented times for LA budgets with huge volatility and uncertainty caused by Covid. This is affecting all LAs. We expect to haveongoing resource gaps caused by additional services, additional demand on existing services and reductions in income. It should be noted that the Covid financial uncertainty is on top of the pre-existing uncertainties in the future of Adult Social Care funding and the Fair Funding Review.

14. In response to the COVID-19 crisis the government made significant funding available to Bury Council in the 2020/21 financial year to cover additional costs that were incurred, or where income was not achieved as a result of thepandemic. The funding allocations of £10.523m which were not utilised last financial year were carried forward into 2021/22 via reserves in accordance with the guidance and various individual grant conditions. These funds are available to contribute to ongoing costs in the 2021/22 financial year and are restricted to specific eligible expenditure which meet the criteria of the individual grant conditions.

15. There are a number of overspends identified within this report at quarter three and Finance are working with Directorates to identify mitigating actions.

Financial Overview - Revenue

16. The forecast out turn position is set out in Table 1 below and shows a forecast underspend at quarter 3 of £1.247m. Where budgets are over spending work is taking place between Directorates and finance to identify mitigating actions to bring budgets back into line.

Table 1

Directorate	Approved Budget	Revised Budget	Forecast	(Under)/ OverSpend
	£m	£m	£m	£m
One Commissioning Organisation	79.171	79.171	77.996	(1.175)
Children and Young People	40.214	40.061	41.831	1.770
Operations	18.007	17.983	17.883	(0.100)
Corporate Core	11.110	11.607	11.468	(0.139)
Business, Growth & Infrastructure	2.977	2.727	2.731	0.004
Housing General Fund	0.705	0.705	1.288	0.583
Non-Service Specific	19.667	19.599	17.374	(2.191)
TOTAL	**171.851**	**171.851**	**170.571**	**(1.281)**

One Commissioning Organisation – Underspend £1.175m

Table 2

2021/22 Forecast Revenue Position – as at 31 December 2021			
One Commissioning Organisation	**Approved Budget**	**Forecast**	**(Under)/Over Spend**
	£m	**£m**	**£m**
Adult Social Care Operations	8.228	7.314	(0.914)
Care in the Community	42.383	42.793	0.410
Commissioning & Procurement	16.154	16.191	0.037
Public Health	10.755	10.522	(0.233)
Departmental Support Services	1.571	1.097	(0.474)
Workforce Modernisation	0.078	0.078	0
TOTAL	**79.171**	**77.996**	**(1.175)**

17. The OCO budget is forecast to underspend by £1.175m. The material variances by OCO service areas are analysed below.

18. **Adult Social Care Operations** - The Adult Social Care Operations budget is forecasting a £0.914m underspend. The underspend is being driven by one-off Hospital Discharge Programme (HDP) income to help recover some of the cost of post discharge recovery and staffing underspends within Choices for Living Well (Killelea), Assessment & Care Management and Integrated Neighbourhood Team budgets. These services are working hard to fill these vacancies as they are having a detrimental effect on the ability to maintain good service provision

19. **Care in the Community** - The Care in the Community budget is forecast to overspend by £0.410m. The overspend is being driven by overspends on Residential, Respite and Direct Payment budgets which are partly offset by underspends on Learning Disability Respite & Direct payment budgets

20. The in -year Care in the Community budget forecast includes a net £0.033m pressure regarding non-achievement of savings and also includes a £0.100m provision regarding the Controcc Project implementation delay

21. The forecast also reflects the Infection Control and Rapid Testing grant programmes, both of which are a net nil cost to the care in the Community budget. The M9 forecast also includes a £0.231m cost pressure regarding Workforce, Recruitment and retention grant, however, because the Workforce grant income budget is held in the Corporate Core directorate the cost pressure is offset against the corresponding £0.231m underspend reported in the Corporate Core

22. Although funding of c.£3.7m is built into the Care into the Community forecast regarding the Hospital Discharge Programme (HDP) the in-year community care budget is incurring unfunded legacy costs regarding those HDP clients discharged into a care home or home care setting who continue to receive care beyond the 4 week 'funded' period. This pressure is expected to be a recurrent £1m pressure in 2022/23, which will need to be managed.

23. **Commissioning and Procurement-** The Commissioning and Procurement budget is forecasting a £0.038m overspend. The overspend is the net impact of the £0.203m

underachieved Persona contract savings target and employee related overspends within Safeguarding, both of which are largely offset by salary underspends within the Reviewing Team and Community Commissioning budgets

24. **Public Health -** The Public Health budget is forecast to underspend by £0.233m and is due to the Containment Outbreak Management Fund (COMF) funding a proportion of core staffing costs and therefore the core staffing budget is underspent by the value of the COMF funding

25. **Departmental Support Services** - The Departmental Support Services budget is forecasting a £0.474m underspend and is due to staff vacancies and a line by line zero based budget review identifying recurrent underutilised budget of circa £0.3m which will be utilised in 22/23 by strengthening teams within ASC Operations

Children and Young People – Overspend £1.770m

Table 3

2021/22 Forecast Revenue Position – as at 31 December 2021			
Children and Young People Directorate	**Revised Budget**	**Forecast**	**(Under)/Over Spend**
	£m	**£m**	**£m**
Children's Commissioning	1.289	1.302	0.013
Early Help and School Readiness	2.492	2.270	(0.222)
Education and Skills (non-schools)	12.272	12.326	0.054
Social Care and Safeguarding	24.008	25.932	1.924
TOTAL	**40.061**	**41.831**	**1.770**

26. The Children and Young People Directorate is currently forecast to overspend by £1.770m. The main variances are:

27. **Early Help & School Readiness -** forecast underspend of (£0.222m) – efficiency savings due to delays in recruiting to vacant posts and cover for an internal secondment.

28. The Early Help Locality teams were launched in October 2019, based in the 3 areas of greatest need across the borough to provide the right support at the right time for children, young people and their families to reduce the requirement for long term statutory intervention. The Team Around the School approach, whereby each school has a named Early Help Social Worker to provide a direct link for schools to discuss emerging concerns. Since the model commenced there have been approximately 700 children and young people identified and a variety of outcomes decided, 34% of recommendations resulted in the Locality Team taking the lead to support the family.

29. Key performance indicators to determine the success of the Team Around the

School approach determine that there have been a reduced number of contacts into the Multi Agency Safeguarding Hub (MASH), as needs are identified much earlier and the relevant support is offered through Early Help. Of the contacts from schools into the MASH there has been an increase in cases progressing into a social care referral and a reduction of approximately 54.4% of contacts requiring no further action indicating that the schools are directing their concerns to Early Help and the appropriate support is being received and not progressing directly to MASH.

30. **Education & Skills -** forecast overspend of £0.054m – due to the ongoing pressure within the home to college transport (overspend £0.251m) due to high demand has been mostly mitigated by savings on staffing costs in other areas due to vacancies

31. **Social Care and Safeguarding** - forecast overspend of £1.924m is madeup of the main variances as follows:

32. Approval has been granted for the use of COMF funding to support the budget pressure in relation to additional agency staff to reduce the departmental overspend. Reserves have also been identified to mitigate further pressures within Children's Social Care and the funding of an additional Social Work team.

33. The COMF funding is mitigating the cost of an additional project team of agency workers recruited for 6 months to alleviate caseload pressures allowing more support to be given to the newly qualified social workers and agency social workers required for maternity and vacancy cover across the Safeguarding Teams. An additional team of agency social workers have been brought onto the Initial Response Team. There is additional pressure on the budget from the Section 17 payments (overspend of £0.227k) which has arisen due to support packages in place, payments to friends and families.

34. The Residential and IFA placement budget is forecast to overspend by £1.448m based on the current number and complexity of looked after children, the higher cost placements are due to mother and baby unit costs, secure accommodation and sibling groups. During December there were 2 new cases of young people requiring residential placements who were previously not known to Children's Social Care.

35. There have been several new Through Care placements and changes to a number of existing cases, the overspend has been mitigated by Unaccompanied Asylum Seeking Children (UASC) funding allocated.

36. Mitigations across the department reported to offset the areas of overspend include Care and Support Service (CASS) (-£0.057m) and the Adoption Service (-£0.0151m) due to vacancies and Adoption Support payments. The payment to foster carers are lower than previously reported (-£0.100m). Early Help also reported further savings due to vacancies (-£0.222m).

37. Work is ongoing to further understand these issues and to identify mitigating actions wherever possible, including developments being considered by the CYP Senior Leadership Team across all four Divisions of the Department, with a focus on Early Help and Intervention outcomes to evidence any forecast reductions of high-cost Social Care cost pressures

Operations Directorate – Forecast Underspend £0.100m

Table 4

2021/22 Forecast Revenue Position – as at 31st December 2021			
Operations	**Approved Budget**	**Forecast Out Turn**	**Forecast (Under)/Over Spend**
	£m	**£m**	**£m**
Wellness Operations	3.405	3.590	0.185
Engineers (including Car Parking)	0.262	0.151	(0.111)
Street Scene	4.937	5.027	0.090
Commercial Services	(0.251)	(0.284)	(0.033)
Waste, Transport and Stores	6.442	6.283	(0.159)
Operations Senior Management	1.569	1.573	0.004
Health & Environmental Protection	1.534	1.424	(0.110)
Corporate Landlord	0.084	0.118	0.034
TOTAL	**17.983**	**17.883**	**(0.100)**

38. The Operations Directorate is forecasting an underspend of £0.100m, which is net of any Covid related variances that are to be met by the various grants receivable. The material variances within Operations are as follows:

39. **Wellness** – an overspend, predominantly due to reduced Leisure admissions linked to Covid, partially offset by staffing savings (£0.369m), increased income in Bereavement Services (£0.100m) and vacancies in Wellbeing Services (£0.126m)

40. **Engineers** – an underspend due to Staffing vacancies and contract savings (£0.208m) Penalty Charge Notices issued (£0.048m), offset by Parking Enforcement Contract savings not yet achieved (£0.145m)

41. **Street Scene** - the overspend is largely due to Highways income loss from staff diverted to support Waste operations (£0.065m)

42. **Commercial Services –** the underspend is due to extra income from increased levels of service in Cleaning and Caretaking (£0.050m) and savings in Market staffing following a restructure (£0.083m), these are partly offset by Schools Catering shortfalls on income as demand continues to recover from Covid (£0.100m)

43. **Waste & Transport** – the underspend is due to extra income in Trade Waste (£0.055m) and Stores (£0.086m), staffing and running cost savings within Street Cleaning (£0.055m) and Transport (£0.050m), partially offset by under recovery of income within the Transport Workshop (£0.095m)

44. **Corporate Landlord –** the overspend is due to Architectural Services - staffing vacancies (£0.161m) and Admin Buildings - pressures on rates, cleaning and utilities budgets (£0.195m).

Corporate Core and Finance Directorate – Underspend £0.139m

Table 5

2021/22 Forecast Revenue Position – as at 31st December 2021			
Corporate Core and Finance	**Approved Budget**	**Forecast**	**(Under)/Over Spend**
	£m	**£m**	**£m**
Corporate Core	5.964	5.804	(0.160)
Corporate Core Finance	5.643	5.663	0.021
TOTAL	**11.607**	**11.468**	**(0.139)**

45. Corporate Core and Finance are forecast to underspend by £0.139m. The underspends in corporate core are largely as a consequence of vacancies and recharging staff to COMF.

Business, Growth and Infrastructure – Overspend £0.004m

Table 6

2021/22 Forecast Revenue Position – as at 31st December 2021			
Business, Growth and Infrastructure Directorate	**Approved Budget**	**Forecast**	**(Under)/Over Spend**
	£m	**£m**	**£m**
Economic Regeneration & Capital Growth	1.429	1.238	(0.103)
Housing Needs & Options	1.298	1.493	0.195
TOTAL	**2.727**	**2.731**	**0.004**

46. The Business, Growth and Infrastructure Directorate is currently forecast to overspend by £0.004m as a result of:

47. **Economic Regeneration and Capital Growth** - the forecast underspend of £0.103m is due to vacant posts in the Senior Management Team.

48. **Housing Needs and Options** - the forecast overspend of £0.195m is due to a savings target for Housing Needs and Options of £0.250m which is part of the restructure which is currently in progress. This will only be partially achieved due to the part year implementation and the one-off severance costs.

49. Work is underway to realign the budgets following the restructures which will result in changes between the two divisions. There is also an urgent need to identify how the additional transformation stretch targets applied as part of the BGI phase two restructure will be achieved.

Housing General Fund – Overspend £0.583m

Table 7

2021/22 Forecast Revenue Position – as at 30th September 2021			
Housing General Fund	**Approved Budget**	**Forecast**	**(Under)/Over Spend**
	£m	**£m**	**£m**
Housing General Fund	0.705	1.288	0.583
TOTAL	**0.705**	**1.288**	**0.583**

50. The Housing General Fund overspend of £0.583m is due to a forecast increased contribution to the bad debt provision (£0.156m) this is in relation to reclaiming overpayments of housing benefit from individuals, net Housing Subsidy (previously known as housing benefit) as a consequence of increased number of claimants (£0.431m) offset by minor underspends (-£0.004m). The budget will be realigned as part of the 2022/23 budget setting.

Non Service Specific – Underspend £2.225m

Table 8

2021/22 Forecast Revenue Position – as at 30th December 2021			
Non-Service Specific	**Approved Budget**	**Forecast**	**(Under) / Over spend**
	£m	**£m**	**£m**
Accumulated Absences	(0.650)	(0.650)	0.000
CAR Lease Salary Sacrifice	(0.025)	(0.028)	(0.003)
Chief Executive	0.373	0.373	0.000
Corporate Management	1.605	1.605	0.000
Cost of Borrowing	9.099	2.068	(7.031)
Grants/COVID-19	0.000	(0.606)	(0.606)
Disaster Expenses	0.011	0.011	0.000
Environment Agency	0.100	0.104	0.004
Pension Service Costs	(4.992)	(4.992)	0.000

GMWDA levy	13.815	13.447	(0.368)
Passenger Transport Levy	13.650	12.964	(0.686)
Persona Dividend	(0.200)	0.00	0.200
Town of Culture	0.645	0.645	0.000
Townside Fields	(0.058)	(0.058)	0.000
Provisions / Reserves	(13.775)	(7.509)	6.266
TOTAL	**19.599**	**17.374**	**(2.225)**

51. Non-Service Specific is currently forecast to underspend by £2.225m comprising of:

52. **Cost of Borrowing:** Forecast underspend of £7.031m which includes £3.7m long-term debtors for Council loans to Manchester Airport Group. This budget was originally removed as the cash will not be received until passenger numbers recover. However, the income is due and will be accrued as a debtor at year end and therefore, the budget has been reinstated. The remaining underspend of £3.3m is due to reduced loan interest payments as a consequence of slippage on the capital programme and external funding as a consequence of securing levelling up monies.

53. **Grants/COVID-19:** Forecast underspend as a consequence of receiving a retrospective grant for loss of income on Sales, Fees and Charges in 2020/21 of £375k and £231k relating to the Workforce and Retention grant which are both held centrally. The reduced income for sales, fees and charges was in 2020/21 and the expenditure in relation to the workforce and retention grant is shown as an overspend in the relevant department.

54. **Levies:** Forecast underspend of £1.050m which reflects amended levy charges.

55. **Persona Dividend**: No dividend expected in 2021-22 in line with 2020-21.

56. **Provisions/Reserves:** Reserves have been created of £3m to support any additional expenditure required as part of the improvement plan following the Ofsted inspection and a further £1m for the expected pay award, there is already £500k set aside within departmental budgets. Following the governments funding of free school meals for children during school holidays it is proposed to roll forward the existing budget that has not been required during 2021/22 into 2022/23 for the same purpose, noting that there is existing funding which covers the Easter holidays.

57. Transformation savings - schemes are progressing in terms of mobilisation this financial year but showing a forecasted underachievement of £1.316m after various mitigations and substitute schemes and it will be 2022/23 before they deliver their full year effect. Savings targets which weren't achieved last financial year have been rolled forward and currently £0.950m is forecast as unachieved.

Delivery of the Savings Plan

58. Planned savings of £8.056m are included in the 2021/22 revenue budget. Of these £6.462m are forecast to be delivered with the remaining £1.594m requiring further investigation. The biggest single programme is the £1.5m transformation programme and whilst schemes are progressing in terms of mobilisation this financial year it will be 2022/23 before they deliver their full year effect. Work is ongoing to quantify what will be delivered this financial year and mitigations and substitute schemes have been developed to compensate in part. An update on the revised profiling of the Transformation Savings was provided to Cabinet in December 21. At quarter 3 the current forecast is that £525k of schemes and mitigations will be delivered this financial year leaving a shortfall of £975k against the original plans. A summary of all of the Councils savings is set out in the table below.

Table 9

Assessment of 2021/22 Cabinet Agreed Savings				
Directorate	**Description**	**2021/22 Target (£m)**	**2021/22 Saving Forecast (£m)**	**Saving Underachieved/(Overachieved) in 2021/22**
One Commissioning Organisation	LD Care Packages & Placement's	0.150	0.234	-0.085
One Commissioning Organisation	MH Care Packages	0.169	0.169	0.000
One Commissioning Organisation	Low-Cost Care Packages	0.478	0.478	0.000
One Commissioning Organisation	Persona Contract	1.000	0.797	0.203
One Commissioning Organisation	LD Supported Living	0.050	0.126	-0.076
One Commissioning Organisation	Care at Home Pricing Structure	0.200	0.000	0.200
One Commissioning Organisation	Provider Fees	1.187	1.187	0.000
One Commissioning Organisation	Debt Recovery	0.100	0.100	0.000
Public Health	Efficiencies	0.040	0.040	0.000
One Commissioning Organisation & Public Health Sub Total		**3.374**	**3.130**	**0.243**
Children and Young People	Efficiencies & Transformation	0.696	0.558	0.126
Children and Young People	Placements	0.300	0.334	-0.034
Children and Young People	Contracts / Commissioning	0.220	0.247	-0.030
Children and Young People Sub Total		**1.216**	**1.139**	**0.077**
Operations	Street Light Dimming	0.020	0.020	0.000
Operations	Closure of Civic Venues	0.132	0.000	0.132

Operations	Review of Waste Services and Fleet Rationalisation	0.237	0.237	0.000
Operations	Leasing	0.135	0.135	0.000
Operations	Capital Equipment Leasing	0.035	0.035	0.000
Operations Sub Total		**0.559**	**0.427**	**0.132**
NSS	Apprentice Levy	0.239	0.239	0.000
NSS	Corporate Management Initiatives	0.200	0.200	0.000
NSS	Bury MBC Townside Fields	0.058	0.058	0.000
NSS	Car Lease Salary Sacrifice Scheme	0.025	0.025	0.000
Non Service Specific Sub Total		**0.522**	**0.522**	**0.000**
Corporate	Tameside Pension Contributions	0.075	0.075	0.000
Corporate	Apprenticeship Corporate Budget	0.530	0.530	0.000
Corporate	Close Prestwich cash office	0.030	0.030	0.000
Corporate Sub Total		**0.635**	**0.635**	**0.000**
Business, Growth & Infrastructure	Housing Options	0.250	0.050	0.200
Business, Growth & Infrastructure Sub Total		**0.250**	**0.050**	**0.200**
Authority Wide	Transformation	1.500	0.559	0.941
Authority Wide Sub Total		**1.500**	**0.559**	**0.941**
Total		**8.056**	**6.462**	**1.594**

59. A savings target of £4.162m was included in the 2020/21 revenue budget. Due to the pandemic a number of these were identified as unachievable in year. The Medium Term Financial Strategy addressed some of the unachievable savings targets for the 2021/22 budget and a total of £2.846m (including OCO stretch targets) was achieved in the 2020/21 outturn position. Those savings targets which weren't achieved last financial year have been rolled forward and added to this financial years targets.

60. One Commissioning Organisation Savings Programme

The £3.374m 2021/22 OCO Directorate savings programme is forecast to achieve £3.130m which is a savings shortfall of £0.243m. However, it is anticipated that further savings derived from ongoing reviews of existing care packages will close the gap on any remaining shortfall by March 31st.

61. Children and Young People Savings Programme

The £1.216m 21/22 CYP savings target is currently forecast to achieve £1.139m which represents a shortfall of £0.077m. CYP Senior Leadership Team and finance colleagues are proactively identifying sufficient mitigations to address this in addition to attempting to find further mitigations to offset the risk of cost pressures being faced specifically impacting on Children's Social Care.

62. Department of Operations

Civic venues will not achieve the saving put forward of £0.132m as Cabinet agreed not to close according to the original proposal. Once the requirement to use as vaccination centres is over, there will be a partial reopening. A restructure has been designed to remove as much of the existing costs as possible, which is still being evaluated. Mitigation will partly come from identifying savings in other areas of Commercial Services. The Waste savings have not yet been achieved due to operational problems with the implementation of the new rounds. Unmet savings are mitigated by utilising Waste reserves.

63. Authority Wide

The Business Support aspect of the transformation review has progressed in-year through to the current live consultation. The full year cashable saving in respect to this review, is £0.900m, will not be achieved in this financial year and it is anticipated following the completion of the consultation, any consequential changes to proposals made, and implementation of the transformed structure, will deliver approximately £0.150m in 2021/22. The full year saving will therefore be factored into 2022/23 onwards.

Reserves

64. At the end of 2020/21 the council's usable reserves were £141.969m. Reserves will decrease during 2021/22 due to the decision made as part of 2021/22 budget setting to make a contribution from general fund of £12.958m. There is a change in the accounting treatment of the deficit on the DSG which applied for the financial year 20/21 which transferred the deficit from a usable to an unusable reserve.

Table 10

Forecast of Reserves at 31 March 2022	
	£M
General Reserves	24.430
Directorate Risk Reserves	3.512
Volatility and Fiscal Risk	36.383
Total Management of Risk Reserves	**64.325**
COVID-19 Related Grants	0.350
Corporate Priorities	13.497
Transformation Reserve	3.646
External Funding/Grants	0.000
Capital Reserves	3.306
Total Earmarked Reserves	**20.799**

TOTAL COUNCIL RESERVES	**85.124**
School Reserves	
Individual School Budgets	8.846
TOTAL SCHOOL BUDGETS	**8.846**
TOTAL RESERVES	**93.970**

65. The level of reserves increased over the last financial year and are available to support the Council in managing the financial risks going forward. Some significant grants were received at the end of the 2020/21 financial year relating to COVID-19 and are therefore fully committed and were originally planned to be fully utilised in 2021/22. Guidance released just before Christmas now allows for any unspent COMF monies as at 31st March 2022 to be carried forward into 2022/23 and this is forecast to be £0.350k. Further work will be undertaken in quarter 4 to monitor this roll forward. Monitoring of reserves is a key part of the overall financial strategy to manage the impact of COVID-19 in 2021/22 and future years.

Other Budgets

Schools

66. 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 and Early Years Finance (England) Regulations 2020. 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 (ISB). The Schools' Forum recommend the allocation of funding to schools and academies through the application of the funding formula.

67. The DSG has 4 main blocks:

Block	2021/22 Budget
	£m
Schools	139.599
High Needs	36.398
Early Years	14.064
Central Support Services	0.952
TOTAL	**191.013**

68. In addition to the DSG, schools and academies also receive external fundingfrom grants including:

Estimated External Funding 2021/22	
	£m
Pupil Premium Grant	9.059
Universal Infant Free School Meals Grant	2.074

Primary PE and Sport	1.045
Covid-19 Catch Up, Recovery, Summer Schools	3.214
Devolved Formula Capital	0.797
High Needs Capital	3.781
TOTAL	**19.970**

69. From 2019/20 the Department for Education (DfE) required all councils to complete a recovery plan should their overspend on the DSG exceed 1%. Given the scale of Bury's DSG deficit, which accumulated toover £27m by the end of 2020/21, the Council has entered into a formal agreement 'Safety Valve' with the DfE.

70. The Safety Valve agreement sets out a 5 year timeline to ensure SEND transformation and DSG deficit recovery priorities can be sustained. These priorities include:

- Strengthen Special Educational Needs assessment and placements process, including clarifying assessment thresholds for Education Health and Care Plans (EHCP) by March 2022. This should include reviewing transition arrangements for children and young people throughout 2021-22.

- Ensure robust planning for future provision, including reducing the use of independent school placements by increasing the availability and suitability of local provision within Bury. This should include developing a model for forecasting future needs by March 2022.

- Improve quality and timeliness of management information to enableevaluation of impact of central services.

- Support and drive schools in Bury to meet a higher level of need in a morecost-effective way within mainstream settings, while maintaining the quality of provision. Develop a culture in which demand is more effectively managed throughout the authority.

- Remodel financial practice to ensure accurate contributions fromappropriate funding sources.

71. The Safety Valve Agreement and Monitoring requirements outline the commitment required by Bury to address the deficit through SEND transformation and the review of all associated financial aspects.

72. A robust programme delivery plan has been developed and is actively progressing the following workstreams:

- Developing the governance arrangements for the delivery of thetransformation programme
- Developing a robust communication strategy and plan, mapping out key partners and stakeholders
- Developing a resource plan, aimed at building internal capacity and capability in key areas including SEND, data and specialist posts.
- Developing a new banding system for allocating high needs funding
- Developing project briefs for each of the workstreams to enable us to move towards the next phase of the SEND transformation programme.

73. The Safety Valve agreement has enabled Bury to secure an additional £20m DSG. This additional DSG is profiled to be allocated across 5 years in accordance with the Safety Valve agreement.

74. The Safety Valve development with the DfE has also provided a further £3.781m additional High Needs Capital funding to Bury. This will be targeted as a priority to develop, enhance and increase in-borough specialist provision and places across Bury's Special Schools and Mainstream settings.

75. The agreement in place requires continued liaison and updates to the DfE. During October 2021 Bury engaged in more detailed discussions with the DfE in respect to potential delays in the recovery of the DSG deficit when compared to the original profile submitted in February 2021. The DfE are aware of the revised recovery profile due to the increased cost pressures outlined in 15.10 above and have requested more detailed evidence and assurance of how the recovery will remain on track for 2025. A revised Safety Valve delivery plan was provided to the DfE in December 2021 to demonstrate the assurance that the recovery will be achieved with their continued support.

76. Excluding Safety Valve funding, the DSG deficit originally forecast for 2020/21 was circa £20m, however increased in-year cost pressures for high-cost out of borough SEND placements, in-year increased capacity and associated high-cost banded placements at Bury's Maintained Special Schools, plus in-year top-up funding for increased volumes of EHCPs in Bury's Mainstream Schools and Academies, resulted in a higher deficit.

77. The following highlights the revised recovery profile at 17th December 2021 and indicative forecast position on the DSG deficit, indicating in brackets the additional DSG provided in each year:

- DSG Deficit as at end 2019/20 £20.067m
- DSG Deficit as at end 2020/21 £21.407m (£6m)
- DSG Deficit as at end 2021/22 £22.172m (£4m)
- DSG Deficit as at end 2022/23 £16.141m (£4m)
- DSG Deficit as at end 2023/24 £9.107m (£3m)
- DSG Surplus as at end 2024/25 £0.207m (£3m)

78. The pressures referred to in 15.10 are ongoing during 2021/22 and mitigating actions are being developed as part of the Safety Valve programme priorities. The mitigations include the transformation of Mainstream EHCP top-up funding, Special School banding levels, Inclusion Partnership funding, and review of all High Needs Block funding contributions to non-statutory support services. The consideration of these mitigations will be subject to consultation with stakeholders and will result in the recovery profile at 15.11 being regularly updated and submitted to the DfE for their assurance.

79. The DfE have recently revised the funding increases to be forecast into 2023/24 and 2024/25 recovery years which has determined a risk to recovering the full deficit by the end of 2024/25. Further discussions with the DfE are taking place to reach agreement on how this will be managed.

80. The full Safety Valve report and delivery plan is subject to separate updates to Scrutiny, Cabinet and Council

81. Guidance on the treatment of DSG deficit reserves is included in the statutory DSG Conditions of Grant which states that the LA must co-operate with the DfE

in accordance with the provisions specified. These Conditions include, but are not limited to, communication, information sharing, meeting DfE officials as and when requested, deficit recovery, LA and external audit reporting requirements, and repayment of the DSG if the LA does not comply with DfE and external audit requirements.

Collection Fund

82. 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. The current forecast position is an in-year deficit of £4.209m with a residual deficit brought forward from 2020/21 of £2.942m. (This is the difference between the statutory estimated deficit as at 15th January 21 and the outturn position) This is then adjusted for the year 2 mandatory spreading adjustment for the 2020/21 deficit of £1.068m bringing the overall forecast net deficit to £6.084m. The council's share of the deficit is £6.799m and the Greater Manchester Combined Authority's share is a surplus of £0.716m (forpolice and fire and rescue services).

83. The proportionate shares for Business Rates and Council Tax mean that Greater Manchester Combined Authority have a 1% share of the Business Rates deficit and a 16% share of the Council Tax surplus resulting in a netsurplus, whereas the council have a 99% share of the Business Rates deficitand a 84% share of the Council Tax surplus resulting in a net deficit.

84. The deficit on the collection fund is Covid related as a result of government mandated reliefs for retail and nursery establishments and the COVID Additional Relief Fund announced in December 2021. For these, the Council isexpected to receive increased compensatory grants of £10.486m which will partially mitigate when the Council is required to repay the deficit into the Collection Fund in 2022/23 per the Regulations.

85. The government also introduced the Taxation Income Guarantee scheme (TIG)to alleviate some of the impact of COVID on loss of income in the collection fund for 2020/21 and for Bury this was £2.474m.

86. The compensatory grant received in 2020/21 (£24.899m) and TIG amounts are held in reserves and will be released in 2021/22 to fund the repayment of the council's share of the deficit as required in the regulations.

87. Due to the impact on the Council's ability to collect both Council Tax and Business Rates, an important change to Collection Fund accounting was introduced for 2020/21, which (with the exception of the £24.899m Government grant funded Business Rate reliefs) gave the ability to smooth theimpact of COVID related deficits over three financial years, thus reducing the impact on the revenue budget. The Council's 2021/22 budget and future yearsbudget estimates have been prepared using this new facility and the year 2 impact can be seen in the table below.

88. Currently, the position on Business Rates is particularly difficult to forecast due to the complexities of the various part year retail and nursery reliefs. 100% relief was available from April to the end of June when the available relief dropped to

66% for July to the end of March 22. Businesses are required to reapply for the 66% relief and the uptake has so far been lower than expected,this is likely to vary as the year progresses and can be backdated if the application is valid. The compensatory grant for the reliefs will be adjusted to fund the final total of reliefs.

89. A discretionary scheme is being designed for the newly announced COVID Additional Reliefs Fund (Business Rates) and will be applied to the 2021/22 liabilities, increasing the reported deficit position by the grant amount (£0.022m). This is shown within the Additional Section 31 grants to apply in the table below. This results in a net surplus position for Bury's proportion of £3.687m.

Table 11

2021/22 Collection Fund Forecast Position as at 31 December 21			
	Council Tax	**Business Rates**	**Total**
	£m	**£m**	**£m**
Balance Brought Forward (deficit)	0.496	28.140	28.636
Prior Year estimated deficit repaid in year	(0.550)	(25.144)	(25.694)
Estimated (Surplus)/Deficit for the year	(4.784)	8.993	4.209
Year 2 of the spreading adjustment for 2020/21 deficit	(0.526)	(0.542)	(1.068)
Balance Carried Forward (surplus (-) / deficit (+))	**(5.364)**	**11.447**	**6.084**
Distributed:			
Bury Council	4.534	(11.333)	(6.799)
GMCA – Police and Crime Commissioner	0.585	0.000	0.585
GMCA – Mayoral / Fire and Rescue Service	0.245	(0.114)	0.130
Total 2020/21 Deficit	**5.364**	**(11.447)**	**(6.084)**
Additional Section 31 grants to apply	0.000	10.592	10.592
Net 2020/21 Deficit	**5.364**	**(0.855)**	**4.509**

Budget Management

90. During 2019/20 financial year, tighter budgetary control was introduced whereby all expenditure over £1,000 required approval by Directors or Assistant Directors in order to gain a higher level of budget management. This action has resulted in the delay of payments to providers and suppliers and an increasing switch to non-strategic activity for our most senior resources. Supporting budget managers to manage within their budgets and maintain financial control is a more appropriate use of our resources and therefore it is now appropriate to revert back to the financial regulations as set out in the Council's constitution.

Housing Revenue Account

91. The Housing Revenue Account (HRA) is forecasting an operating deficit of £0.064m; further information is set out in the table below.

Table 12

2021/22 Forecast Revenue Out Turn Position – as at 31st December 2021			
Housing Revenue Account	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Income			
Dwelling Rents	(30.421)	(30.507)	(0.086)
Non-Dwelling Rents	(0.193)	(0.187)	0.006
Other Charges	(1.038)	(1.082)	(0.044)
Total Income	**(31.652)**	**(31.776)**	**(0.124)**
Expenditure			
Repairs and Maintenance	6.901	6.901	-
General Management	7.324	7.388	0.064
Special Services	1.391	1.374	(0.017)
Rents, Rates and Other Charges	0.045	0.035	(0.010)
Increase in Bad Debts Provision	0.491	0.465	(0.026)
Capital Charge	4.861	4.683	(0.178)
Depreciation	7.473	7.473	-
Debt Management Expenses	0.045	0.045	-
Contribution to/(from) reserves	(3.711)	(3.711)	-
Total Expenditure	**24.820**	**24.635**	**(0.167)**
Net Cost of Services	**(6.832)**	**(7.123)**	**(0.291)**
Interest receivable	(0.047)	(0.015)	0.032
Principal Repayments	0	0	-
Revenue Contributions to Capital	6.846	7.074	0.228
Sub Total	**6.799**	**7.059**	**0.260**
Operating (Surplus)/Deficit	**(0.033)**	**0.064**	**0.031**

92. The main changes resulting in the forecast deficit are:

- **Capital Charge** – the forecast reduction in expenditure reflects a lower pooled interest rate on historic HRA debt than was originally expected.
- **Revenue contributions to capital** – slippage (mainly Covid related) on Housing Capital Programme schemes in 2020/21 was higher than had been anticipated when the 2021/22 budget was set, therefore resources put into the HRA balances at the end of 2020/21 will need to be released to complete the programme in the current year.

93. In reviewing the in-year financial position, it is useful to consider some of the other aspects of performance regarding the Housing Revenue Account. These are still to some degree being affected by the 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 1.03% which is slightly 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 £0.010m 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 £2.111m, an increase of 3% since the end of March. Of the total arrears £0.535m relates to former tenants and £1.576m relates to current tenants. An estimated £1.109m 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 £0.043m from the start of the year.

- **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 arrears, 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 December 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 closely monitored.

- ***Right to Buy Sales*** The forecast for 2021/22 was set at 80, this being an increase of 34 on the level of sales assumed for Bury in the Government's self–financing valuation; the forecast was higher than in a usual year to reflect the build-up of applications during 2020/21 resulting from operating restrictions under the pandemic. There have been 34 sales in the period April to December which is 10 more than at this point last year. The number of applications currently proceeding is significantly higher than at this point last year (145 compared to 117). Whilst the valuation service has been resumed through an external provider there is now a build-up of applications at later stages in the process, for example there are now 60 applications with Legal Services for completion. Given the current situation it is difficult to forecast how many applications will proceed to completion however it is felt unlikely that the sales will exceed 60 by the end of the financial year; the projections of rental income have been calculated on this basis.

Capital Programme

Table 13

	Revised Budget 2021/22	Proposed reduction for year	Proposed re-phasing to 2022/23	Final Budget 2021/22	Variance under / (overspend)
	£m	£m	£m	£m	£m
Capital Programme 2021/22	113.407	(6.209)	(57.734)	49.007	0.456
Funded By:					
External Funding and Contributions	(40.727)	6.209	22.331	(12.187)	

Use of Capital Receipts	(0.290)		0.203	(0.087)	
Prudential Borrowing	(56.284)		33.872	(21.956)	(0.456)
General Fund and Reserves	(0.604)		0.483	(0.121)	
Housing Revenue Account	(3.344)		0.846	(2.498)	
Major Repairs Reserve	(12.158)		0.000	(12.158)	
TOTAL	(113.407)	6.209	57.734	(49.007)	(0.456)

94. The latest approved capital budget for 2021/22 totals £113.407m.

95. The table above identifies a reduction in year of £6.209m, £6.513m of this is due to timing restrictions on the Public Sector Decarbonisation programme where the grant has not been spent in a timely manner and the funding has expired. Other smaller schemes have been added where external capital funds have been secured with no change to the Councils use of Capital Receipts or Prudential Borrowing.

96. Also identified in the table is £57.734m of Re-phasing into future years of schemes that have not yet started or where there has been delays in spend, £2.6m of this is in relation to Radcliffe where funding from the levelling up funds received in 2021/22 has allowed for the Council resources to be phased into later years. Going forward work will be undertaken to phase spend appropriately reducing the level of slippage. This work has already commenced as part of the budget setting process for the 2022/23 capital programme and is referenced in the Capital Budget paper which is also on the agenda.

New Grants notified during Quarter 3

Table 14

Grant	£m
Levelling up fund (LUF)	40.000
Total grant notified	40.000

97. The Council has been successful in securing Levelling Up Funding after two bids were submitted earlier in the year to the Department for Levelling Up, Housing and Communities, DLUHC. The two successful schemes securing the full available value of £20m each are Radcliffe Civic Hub and Bury Market Flexi Hall.

98. This is part of the Government's Levelling Up agenda and total allocation of £4.8billion to invest in infrastructure, including regeneration of town centres, high streets, local transport, cultural and heritage assets.

99. There are significant grant conditions attached to the funding award, including the need for regular reports, governmental inspections and scrutiny of contracts awarded.

100. Cabinet will be kept fully and regularly updated on the progress of delivery and developments that have an impact on the schemes as they become apparent.

Expenditure and forecast 2021/22

Table 15

Capital Theme	Proposed Revised Budget	Forecast	Expenditure to December
Capital Scheme	2021/22	2021/22	2021/22
	£m	£m	£m
Regeneration	20.899	7.294	6.202
Place Shaping / Growth	1.776	0.601	0.468
Sport and Leisure	3.754	2.943	1.573
Operational Fleet	9.807	3.329	3.315
ICT	6.341	3.790	3.019
Highways	17.781	7.621	4.797
Children and Young People	18.854	3.078	2.443
Estate Management - Investment Estate:	0.237	0.178	0.006
Estate Management - Corporate Landlord:	4.212	1.404	0.489
Communities and Wellbeing	3.438	0.894	0.480
Housing	17.419	15.600	5.205
Climate Change	2.680	2.276	0.784
Total Capital Programme	107.198	49.007	28.779

101. At 31st December 2021, capital expenditure totalled £28.779m. Expenditure is lower than anticipated given the size of the programme.

102. Delivery of the capital programme has been significantly affected by reduced capacity of many services and supply delays. 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.

103. At the time of this report, £49.007m is forecast to be spent by the end of the financial year against a budget of £107.198m. This is an underspend of £58.191m of which, £57.734m is slippage as per the earlier table, resulting in an overall underspend of £0.457m.

Financing

104. The approved capital programme is fully financed as per resources approved at the February Budget meeting and subsequent Cabinet meetings and identified in table 17 above.

105. The approved capital programme is fully financed as per resources approved at the February Budget meeting and subsequent Cabinet meetings and identified in table 17 above.

106. Grants from external sources are monitored during the year against original approval notifications to ensure they are received for the schemes allocated to this type of funding. Capital Receipts from disposals of Council's surplus assets can only be reinvested as they are realised. Separate reports to Cabinet contain information on available planned, and proposed receipts to fund future capital spend. Financing of borrowing costs for the programme supported by Prudential borrowing has been built into the Council's revenue budget. General Fund and reserves represent amounts set aside that are restricted to finance expenditure of a capital nature and require additional approvals by members and the S151 officer. Funding from the Housing Revenue Account, in part is made up by the depreciation figure applied in year to the Council's Housing Stock, and is restricted to finance expenditure that will maintain and improve the social housing stock.

Monitoring

107. The capital programme requires ongoing scrutiny and careful monitoring. Work is required during quarter 4 to ensure the capital programme supports the ambitious regeneration plans Bury has and to work with officers to ensure capital budgets support the strategic needs of the Borough.

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Links with the Corporate Priorities:

A strong financially sustainable Council is essential to the delivery of the Let's do it Strategy.

Equality Impact and Considerations:

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.*

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

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
The council is unable to manage its finances.	The content of the report supports the Council in managing the overall financial risks and financial planning for the Council.

Legal Implications:

Members are asked to note that there are no legal implications however as a part of our governance arrangements Members receive regular updating reports in line with our financial framework as set out in the Council constitution.

Financial Implications:

The financial implications are set out in this report

Background papers:

None.

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

Term	Meaning