

NOTICE OF KEY DECISION



Agenda Item	
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MEETING: CABINET
OVERVIEW & SCRUTINY COMMITTEE

DATE: 25 NOVEMBER 2015
2 DECEMBER 2015

SUBJECT: CORPORATE FINANCIAL MONITORING REPORT –
APRIL TO SEPTEMBER 2015

REPORT FROM: DEPUTY LEADER OF THE COUNCIL AND CABINET
MEMBER FOR FINANCE AND HOUSING

CONTACT OFFICER: STEVE KENYON, INTERIM EXECUTIVE DIRECTOR
OF RESOURCES & REGULATION

TYPE OF DECISION: CABINET (KEY DECISION)

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain

SUMMARY: The report informs Members of the Council’s financial position for the period April to September 2015 and projects the estimated outturn at the end of 2015/16.

The report also includes Prudential Indicators in accordance with CIPFA’s Prudential Code.

OPTIONS & RECOMMENDED OPTION Members are asked to note the financial position of the Council as at 30 September 2015 and to approve the s151 officer’s assessment of the minimum level of balances.

IMPLICATIONS:

Corporate Aims/Policy Framework: Do the proposals accord with Policy Framework? Yes.

Statement by the s151 Officer: The report has been prepared in accordance with all relevant Codes of Practice. There may be risks arising from remedial action taken to address the budget position;

these will be identified by Directors at the quarterly Star Chamber meetings.

Statement by Interim Executive Director of Resources & Regulation:

Successful budget monitoring provides early warning of potential major overspends or underspends against budgets which Members need to be aware of.

This report draws attention to the fact that, based on the most prudent of forecasts, several budget hotspots exist which will need remedial action.

Members and officers will be examining these areas in more detail at the Star Chambers.

This report is particularly significant as it informs Members of the baseline financial position from which the Council sets its 2016/17 budget.

Equality/Diversity implications:

No

Considered by Monitoring Officer:

Budget monitoring falls within the appropriate statutory duties and powers and is a requirement of the Council's Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring and Control) relates. The report has been prepared in accordance with all relevant Codes of Practice.

Are there any legal implications?

Yes

Wards Affected:

All

Scrutiny Interest:

Overview & Scrutiny Committee

TRACKING/PROCESS

EXECUTIVE DIRECTOR: Steve Kenyon

Chief Executive/ Strategic Leadership Team	Cabinet	Overview & Scrutiny Committee	Council	Ward Members	Partners
09/11/15	25/11/15	02/12/15			

1.0 INTRODUCTION

- 1.1 This report informs Members of the forecast outturn for 2015/16 based upon current spend for the period 1 April 2015 to 30 September 2015 in respect of the revenue budget, capital budget and the Housing Revenue Account.
- 1.2 Projections are based on current trends, information, and professional judgement from service managers and finance staff.
- 1.3 The revenue budget projections highlight the fact that budget pressures do still exist in some key areas and it will be necessary to continue to examine options for improving the situation further.

2.0 BUDGET MONITORING PROCESSES

- 2.1 Reports will be presented quarterly to facilitate close monitoring of spend and implementation of action plans during the year.
- 2.2 Reports are also presented to the Strategic Leadership Team on a monthly basis and detailed monitoring information will also be discussed at Star Chamber meetings during the year.
- 2.3 It is intended that improvements will continue to be made to the budget monitoring process, building on the significant developments implemented over the past few years.

3.0 SUMMARY OF REVENUE BUDGET POSITION

- 3.1 The table below outlines the annual budget and forecast outturn based upon known factors and the professional views of service managers as at month 6:

Department	Budget £000	Forecast £000	Variance £000
Communities & Wellbeing	65,850	65,951	+101
Resources & Regulation	2,319	3,006	+687
Children, Young People & Culture	34,954	35,599	+645
Non Service Specific	30,588	30,088	(500)
TOTAL	133,711	134,644	+933

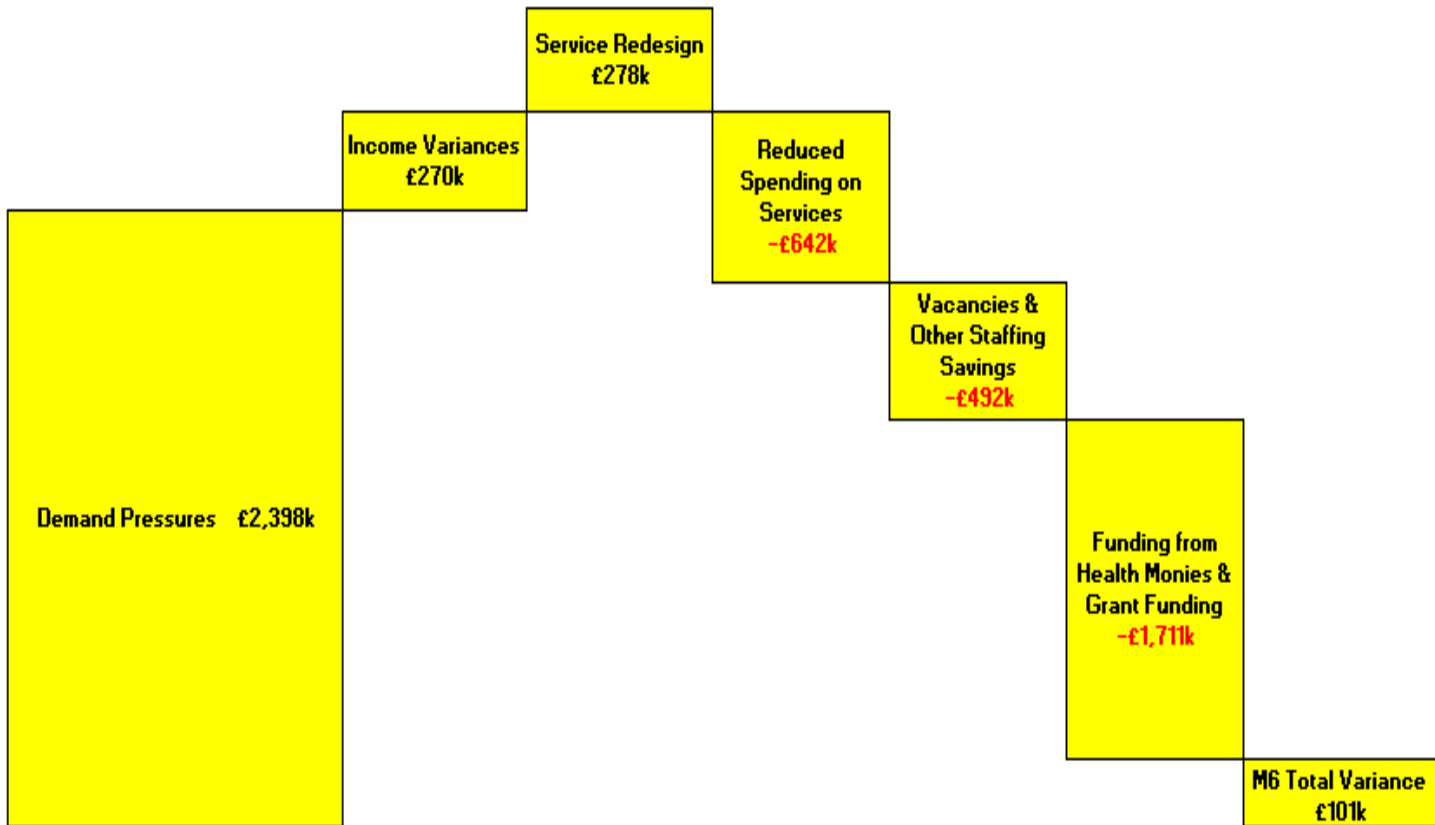
- 3.2 The projected overspend of **£0.933m** represents approximately **0.70%** of the total net budget of £133.711m.
- 3.3 Members need to be aware that financial reporting involves an element of judgement, and this particularly applies to the treatment of budget pressures. Often an area of overspending identified at this point in the year will resolve itself before the end of the year following appropriate remedial action.
- 3.4 However it is felt appropriate to alert Members to potential problems at this stage so that they can monitor the situation and take ownership of the necessary remedial action and this is the basis on which the report is written.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

4.1.1 The current projected overspend for Communities and Wellbeing is **£0.101m**, which is 0.15% of the Department's net budget of £65.850m

4.1.2 Reasons for major variations are illustrated in the chart overleaf;



4.1.3 Further details by service area are outlined below, along with remedial action being taken.

Theme	Variance £'000	Reason	Action Being Taken
Demand Pressures	+2,398	<p>Care in the Community budgets particularly around Domiciliary Care, Residential Care and Self Directed Support Budgets -£1,996k.</p> <p>Killelea House Residential care Home - £163k (Reason- Staffing Cost Pressures).</p> <p>Assessment and Care Management staff - £106k (Reason - Staffing Cost Pressures).</p> <p>Grounds Maintenance - £80k (Reason - savings not achievable as grass cutting is still required as specified by members.</p> <p>Parks - £18k (Reason - spending pressures on Health & Safety Work, rates and metered water supply).</p> <p>Refuse Collection - £35k (Reason - Continued demand for bins and increased costs on agency staff due to sickness and additional work re bin delivery.</p>	<p>A range of preventative strategies continue to be introduced to manage this demand, such as reablement, triage, improved screening, 'signposting', and crisis response as well as a programme of training for front line staff around efficient support package planning. In addition, all existing high & medium cost care packages are kept under regular review.</p> <p>This service is currently undergoing a review /restructure and as a consequence a report is expected to go through the normal sign off processes with the CCG.</p> <p>The £106k overspend is only c.3% of the Net £3.6m ACM staffing budget, however, Senior management will continue to review staffing pressures and act accordingly.</p> <p>Prudent spending is to be exercised on all discretionary budgets.</p> <p>Prudent spending is to be exercised on all discretionary budgets.</p> <p>The waste overspend of £35k will be addressed by reviewing the resource required in terms of vehicles and staff that will naturally reduce during the winter period as garden waste tonnages reduce and less bins are put out for collection. Residents will see no difference to the level of service provided throughout winter with a continued fortnightly collection of the brown bins.</p> <p>As far as sickness absence is concerned, in April the Council introduced new criteria for dealing with sickness absence,</p>

Theme	Variance £'000	Reason	Action Being Taken
			<p>we shall be applying these, which along with other savings from discretionary budgets will hopefully address this budget pressure.</p> <p>Extra money that has been spent on delivering bins actually shows how successful our recycling initiatives have been, with more and more people recycling across the Borough.</p>
Service redesign	+278	<p>Note: A number of Budgets have yet to achieve savings target against specific schemes, as a consequence this is partly/wholly the reason for the overspends below:</p> <p>Sheltered Housing General - £106k (Reason - Savings not Identified).</p> <p>Falcon & Griffin Care Home - £35k (Reason - Savings not identified).</p> <p>Carelink - £23k (Reason - Savings not identified).</p> <p>Urban Renewal Holding Account - £74k (Reason - Savings not identified).</p> <p>Beverage, Cafes & Vending - £40k (Reason - Difficulty in meeting beverage service /café income target).</p>	<p>An action plan is being developed by senior management for each of the service areas, ensuring the savings targets are achieved.</p> <p>An action plan is being developed by senior management for each of the service areas, ensuring the savings targets are achieved.</p> <p>An action plan is being developed by senior management for each of the service areas, ensuring the savings targets are achieved.</p> <p>An action plan is being developed by senior management for each of the service areas, ensuring the savings targets are achieved.</p> <p>Service review has been undertaken and a restructure /actions identified to reduce costs.</p>

		<p>Integrated Community Equipment Service (ICES) – (£71k) (Reason – New contract with Pennine care has generated additional income).</p> <p>Bury Employment Support & Training (BEST) – (£22k).</p> <p>Civic Halls - £130k (Reason - Difficulties in achieving income targets).</p> <p>Leisure - £160k (Reason - income not meeting targets, delay in the opening of the temporary pool at Radcliffe and budget cuts).</p> <p>Transport Services - (£150k) (Reason - income forecast to exceed budget).</p> <p>Trade Waste - £120k (Reason - Shortfall on trade waste income due to reduced pricing, increased recycling requires additional bins).</p>	<p>Historically this service experienced financial pressure on areas such as equipment, adaptations and mattresses, however a new contract with Pennine care has relieved the demand pressures longstanding that the ICES service previously experienced.</p> <p>The expectation is that further income can be generated from increased activity.</p> <p>Approval has been given to appoint a Marketing Events Officer to promote the service.</p> <p>Further development of the growth & implementation plan is required.</p> <p>Use to offset other overspends.</p> <p>Offset by underspends elsewhere in the service, This budget is to be reviewed.</p>
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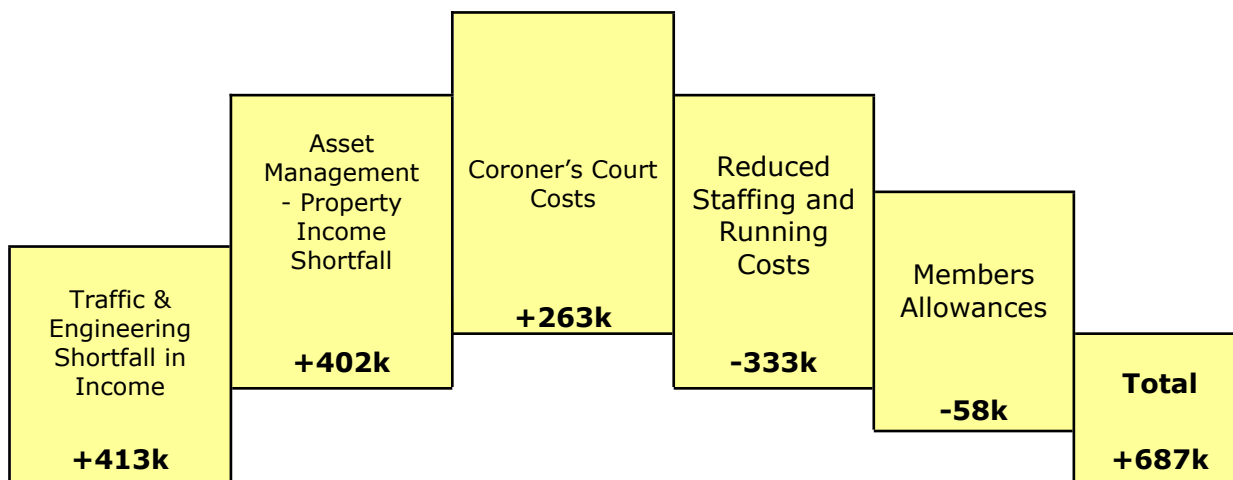
Income variances	+270	<p>Housing Choices – £148k (Reason - Shortfall in income expectations).</p> <p>Workforce Development – (£45k) (Reason - Largely the result of Homes for Older People income budget forecast to exceed budget provision).</p>	<p>Income recovery action plan is being developed by senior management team.</p> <p>The possibility is that further income can be generated from increased activity, but these services have now become part of the LATCo.</p>
Reduced Spend on Services	-642	<p>Carers services budget – (£143k) (Reason - Underspending on Carers personal budgets).</p> <p>Finance – (£189k) (Reason - Carers and Care act implementation grant not expected to be spent).</p> <p>Older People Fieldwork Team – (£82k) (Reason - result of action to meet savings target).</p> <p>Mental Health service –</p>	<p>Forecast underspends may be used to offset pressure within other areas of adult care service budgets.</p>

		<p>(£173k) (Reason - result of action to meet savings target).</p> <p>Day Centres for under 65s – (£42k) (Reason - Transport costs within service reduced / small salary savings)</p> <p>Training Budget – (£10k) (Reason - Training budget not expected to be spent in full).</p> <p>Public Convenience - (£3k) (Reason – Reduced spend on Repairs and Maintenance.</p>	
Vacancies and Other Staff Cost Savings	-492	<p>Commissioning & Procurement – (£59k) (Reason – Head of Service Vacant Post).</p> <p>Sheltered Housing Support, Policy and Improvement & Customer Engagement – (£75k) (Reason – Current staffing activity levels suggest actual expenditure to be below budget provision).</p> <p>Reablement Service – (£202k) (Reason – Staffing Vacancies).</p> <p>Older Peoples Day Care – (£16k) (Reason – Staffing Vacancies).</p> <p>Shared Lives – (5k).</p> <p>Park Rangers – (£25k) (Reason – Staffing Vacancies).</p>	<p>Forecast underspends may be used to offset pressure within other areas of adult care service budgets.</p> <p>Forecast underspends may be used to offset pressure within other areas of adult care service budgets.</p> <p>Forecast Underspend will be used to offset overspends within Parks & Countryside.</p>
Funding from Health Monies & Grant Funding	-1,711	Funding to support the demand pressures of the Care in the Community budgets (£1,711k).	This relates to the utilisation of historic underspends from Adult Care Specific Grants and a contribution of the Health monies towards the demand pressures within Community Care.
	+101		

4.2 RESOURCES AND REGULATION

4.2.1 The Resources & Regulation Department is forecasting an overall overspend of **£0.687m**, or 29.6% of a net budget of £2.319m.

4.2.2 Reasons for major variations are illustrated in the chart below;



4.2.3 Reasons for major variations are illustrated in the table below;

Activity	Variance £'000	Reason	Action Being Taken
Traffic & Engineering	+413	Estimated shortfalls in income relating to on and off-street parking and parking fines (£287k), Greater Manchester Road Activities Permit Scheme (GMRAPS) (£98k), bus lane enforcement (£47k) offset by increased income from Council parking permits (£18k).	Monitor income levels, adjust expenditure and targets where possible and review staff resources allocated to GMRAPS. Severance pay and management restructure delayed savings are one-offs to achieve planned savings longer term.

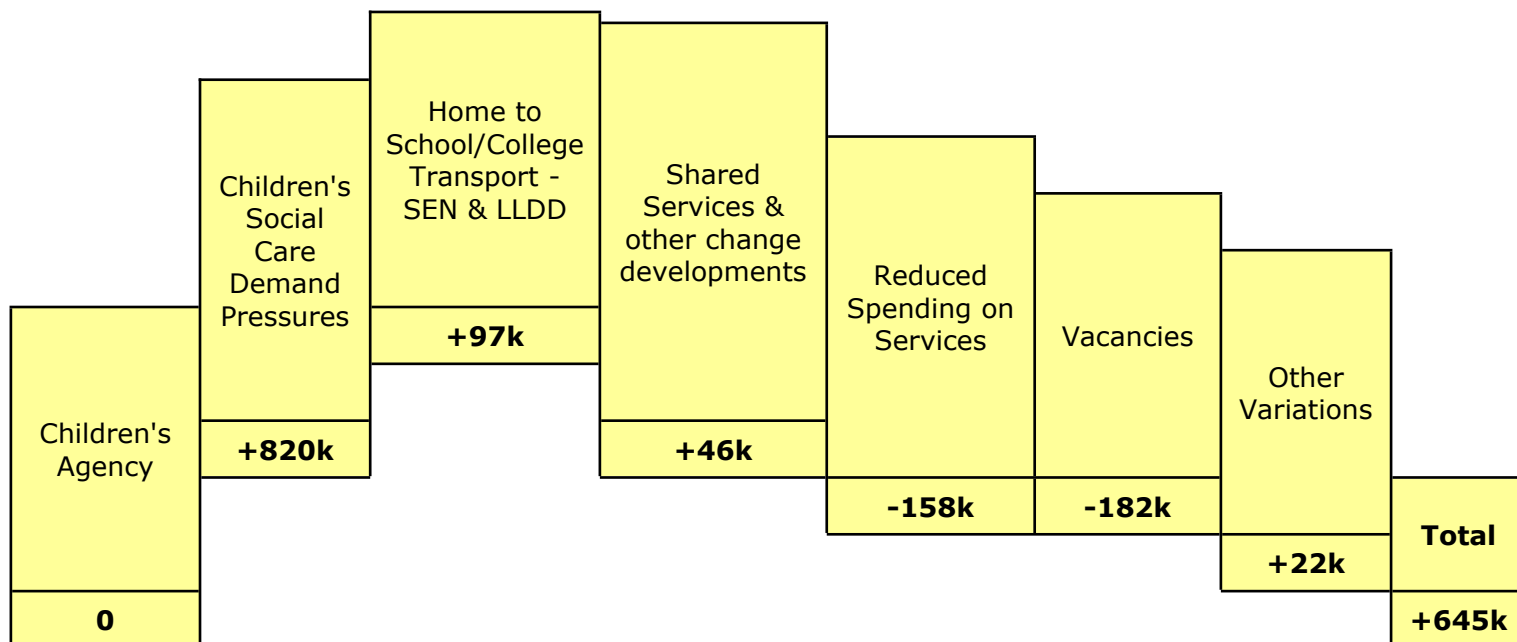
Activity	Variance £'000	Reason	Action Being Taken
Property Services and Markets Income	+402	<p>Shortfall in income due to reduced occupancy levels.</p> <p>Should all of the properties within the non-operational property portfolio be let, the level of current market rents is such that the income budgets would still not be achieved.</p>	<p>The Council has introduced two important Strategies which will address the instability in the property income and reduce (ultimately remove) the shortfall in income.</p> <p>Through implementing the Estates Strategy the Council will identify high risk and underperforming investment assets and these will be disposed of. Initial tranche of properties identified.</p> <p>The Investment Acquisition Strategy will see the Council utilise existing capital currently invested in low return investments and receipts received from disposals. Two properties already acquired – expected to produce £179,000 p.a. In new income.</p> <p>The Council is looking to appoint agents to widen marketing activity on the hard to let properties.</p>
Coroners Court Costs	+263	<p>There are legislative changes around deaths occurring under Deprivation of Liberty Orders (DoL's) that are driving a significant increase in the volume of cases and thus costs.</p>	<p>Meetings being held between Coroner's Court and with DoL's Coordinators from Rochdale, Oldham and Bury Councils to assess the issue in more detail.</p>

Reduced Staffing and Running Costs	-333	Vacant posts not filled and tightening of controllable expenditure across the department. Salaries savings in Finance & Efficiency (£120k) from Internal Audit, Accountancy and Procurement, Customer Support & Collections (£82k), HR (£24k), Press & Media (£25k), Licensing (£34k), Trading Standards (£41k), and minor underspends (£7k).	To be used to assist in reducing the estimated overspend within the department in 2015/16 and part included within the 2016/17 savings.
Members Allowances	-58	Reductions in the level of Special Responsibility Allowances paid to Members continue to result in this forecasted underspend.	To be used to assist in reducing the estimated overspend within the department.

4.3 CHILDREN'S, YOUNG PEOPLE AND CULTURE

4.3.1 The overall Children's, Young People & Culture budget is currently projecting an overspend of **£0.645m**, or 1.84% based on net budget of £34.954m.

4.3.2 Reasons for major variations are illustrated in the chart below;



4.3.3 Further details of the major variations are provided in the table below:

Activity	Variance £'000	Reason	Action Being Taken
Children's Agency Placements	0	Continuing increased demand.	A number of young people with complex needs have turned 18 and have transferred to CWB, plus efforts have been made to reduce the number of children being placed in residential care through offering support at home. Prompt and regular reviews via the Complex Care Panel has led to securing better funding splits across Education, Health and Social Care, reducing the burden on this budget.
Children's Social Care Demand Pressures Leaving Care	+820 Made up of: +431	Spending on housing and further education of 19+ students who have now left our care.	This budget is likely to overspend significantly on housing as the service continues to support a number of young people in high cost placements who were previously accommodated within the Children's Agency Budget. The forecast has reduced significantly in Month 6 as a direct result of initiatives put in place and the new placements are a significant saving to the authority.
Safeguarding	+96	The budget will overspend due to agency staff cover for vacancies and additional hours offered to staff to cover the current workload.	It is intended that the vacancies will be recruited to by January 2016.

Emergency Duty Team	+22	This budget will overspend due to staff cover arrangements for two social workers with long term health issues.	Sickness management in line with Authority procedures.
Children and Young People in Care (CYPIC)	+30	The service will overspend as two agency social workers are covering vacancies.	Both posts have been recruited to with start dates in September. However one person will not qualify as a SW until later in the year, which means that an Agency SW will need to be retained to support the person until she qualifies.
Family Placements	+21	The overall forecast has reduced largely on the payments to Foster Carers, even allowing for the increase in the rates paid, based on the number of carers and the payments they currently receive. Adoption will overspend largely due to adoption allowances.	Adoption placement fees should be closer to break even, with the Government funding hard to place children's adoption fees, plus there are a number of children adopted with families recruited by Bury therefore do not incur a cost. These overspends are offset by underspendings on the Invest to Save due to salary savings and Home from Home Carers.
Children's Disability	+148	At the beginning of the financial year the service had 135 active placements, which has increased to 161 at month 6.	The service is scrutinising and aligning processes in conjunction with the Performance, Planning & Commissioning Team. Currently covering staff sickness with agency workers. Two high cost support packages are "end of life care".

Strategic Lead	+72		The budget is under pressure as the interim Strategic Lead post is being covered by agency staff, the increase in costs will be partially offset by a vacant post.
Home to School/College Transport – SEN & LLDD	+97	Continuing increased demand	All known schedules are on the system and show a forecast overspending of approx £194,000. It should be noted that schedules do change during the year in line with the needs of children. This is partially offset by the Bus Escorts underspending their budget, which is based on current contracts and spending levels over the last 3 years.
Shared Services	+46	Payments to an outside organisation to review existing levels of provision.	Spending on developing shared services with other nearby local authorities, which will provide efficiencies and budget management savings in the future.

Activity	Variance £'000	Reason	Action Being Taken
Reduced Spending on Services	-158		
	Made Up of:		
Youth Offending Service	-56	The forecast has been adjusted to allow for the new agreement with Rochdale effective from 01/10/2015.	The forecast takes into account the expected reduction in grant funding.
Legal Fees	-102		All indications are that External Legal costs will be lower than budget.
Vacancies	-182		
	Made Up Of:		
Front-line Services	-58	Education Psychology Service and Childcare & Extended Services.	
Support Services	-15	SEN team	
Management & Administration	-109	Vacancies in the Finance, HR and Administration sections.	Restructures in place and commencing.

Other	+22		
	Made Up Of:		
Arts & Museums	+42	Deficit on the income as shown in the 'Invest to Save - International Touring Event', which is in line with year 1 of the proposal.	By year 2 there should be a small surplus.
Various	-20		Several services have restrained their spending to contribute to offsetting overspendings elsewhere within the Department.

4.5 NON-SERVICE SPECIFIC

4.5.1 There is a forecast net underspend of **£0.500m**, or 1.63% based on net budget of £30.588m. This relates primarily to the Council's Treasury Management activity (see Section 8.0, page 20 for further details).

5.0 CAPITAL BUDGET

5.1 Capital Programme

5.1.1 The revised estimated budget for the Capital Programme 2015/16 at the end of September is shown in the table below:

2015/16	£m
Original Capital Programme	25.690
Approved Slippage from 2014/15	16.546
In year adjustments and contributions	(0.476)
Revised Capital Allocation at Quarter 2	41.760
Estimated re-profiled projects into 2016/17	(9.165)
Revised working budget for Year at Qtr 2	32.595

5.1.2 The expenditure and funding profile for the Capital Programme together with a detailed breakdown of the Original Approved Programme, the Revised Estimate,

Forecast Outturn, Actual Spend up to end of Month 6, and the estimated under/overspend of the capital programme for 2015/16 is shown in Appendix A.

5.1.3 Members should note that given the complexity and size of some of the larger schemes currently in the Council's Capital Programme the information received from budget holders can vary significantly from one quarterly report to the next and should be read in this context.

5.1.4 At the end of Quarter 2, a total of **£9.165m** of the 2015/16 budget has been identified for re-profiling to 2016/17. Most of this amount is attributed to Children Services Projects where the schemes are funded mainly by grants from Department of Education to a total of £6.306m. The remainder is attributable to Disabled Facilities Grant of £0.412m, Highways Traffic Calming schemes with a total of £0.200m and a further £1.990m on the A56 Prestwich Village Corridor Improvements.

5.2 Expenditure

5.2.1 The Forecast Outturn as at Month 6 is **£32.578m** and Budget Managers have reported that they expect to spend up to this amount by 31 March 2016.

5.2.2 The actual expenditure after accruals realised by the end of Month 6 totals **£8.769m**.

5.2.3 The main areas to record expenditure in the first quarter are:

• Property Redevelopment Schemes	£0.328m
• Children's, Young People and Culture	£4.423m
• Highway schemes	£1.061m
• Adult Social care /Urban Renewal	£0.414m
• Leisure Schemes	£0.878m
• Housing Public Sector	£1.146m

5.3 Variances

5.3.1 Appendix A provides details of variances for each scheme based on latest available information received from budget managers and at Month 6 it shows a projected underspend for the Programme of £0.018m. This amount is negligible in terms of overall capital programme and should be addressed by the end of quarter 3 of the year.

5.3.2 Brief reasons for all individual variances are provided in Appendix A that is attached with this report.

5.4 Funding

5.4.1 The funding profile included in Appendix A shows the resources available to cover the capital programme during 2015/16.

5.4.2 The principal source of funding for Capital schemes approved for the 2015/16 programme is made of external resources together with resources unspent and carried forward from previous years. The Council and Cabinet have also approved allocations towards the Prestwich Village schemes supported by the Council's own resources of **£2.000m** for the year.

5.4.3 The position of the capital receipts and borrowing as at the end of Month 6 is reported below. The figures in the table show the total funding requirement for the revised

estimated capital programme inclusive of potential slippage into 2016/17 and the expected resources to be supported by the Council as at the end of Quarter 2 of the year.

2015/16 Use of Council Resources for Capital Investment	£m
Revised Capital Programme allocation for the year	32.595
Use of external funding and contributions	30.854
Balance of programme relying on Council resources	1.741
Use of Capital receipts and earmarked reserves	0.460
Use of Prudential Borrowing (2015/16 approved schemes)	0
Use of Prudential Borrowing (2014/15 schemes brought forward)	1.281
Total Council Resources used to support the Capital Budget for Year	1.741

5.5 Capital Programme Monitoring

5.5.1 The programme will be monitored closely during the year by CPMG and Management Accountancy with an aim to deliver schemes on cost and time with minimum potential slippage into 2016/17.

6.0 HOUSING REVENUE ACCOUNT

6.1 The Housing Revenue Account (HRA) relates to the operation of the Council's housing stock and can be viewed as a landlord account. It is required by statute to be accounted for separately within the General Fund and is therefore effectively ring-fenced.

6.2 The latest estimates show a projected surplus (working balance carried forward) of £1.000m at the end of 2015/16. The projected outturn shows a working balance carried forward of £1.051m. See Appendix B.

6.3 There are a number of variations that contribute to the projected outturn position however there are no areas where the variance exceeds 10% and £50k.

6.4 The two main impacts on the HRA year end balance are normally **void levels** and the **level of rent arrears**, but levels of **Right to Buy sales** can also be a major influence on the resources available.

Voids:

The rent loss due to voids for April to September was on average 1.8% which is in line with the void target level set in the original budget. If this performance continues for the rest of the year there will be no impact from void loss on the projection of rental income in Appendix B.

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 £1.208m, an increase of 27.8% since the end of March. Of this total £0.485m relates to former tenants and £0.723m relates to current tenants. The increase in the number of Universal Credit cases will account for a large part of the increase in arrears.

The Council is required to make a provision for potential bad debts. The contribution for the year is calculated with reference to the type of arrear, the amount outstanding on each individual case and the balance remaining in the provision following write off of debts.

Based on the performance to the end of September, projected for the full year, this provision would require an additional contribution of £0.339m to be made.

The 2015/16 HRA estimates allow for additional contributions to the provision totalling £0.488m, £0.183m for uncollectable debts and £0.305m to reflect the potential impact that welfare benefit changes could have on the level of rent arrears. Therefore there is a potential underspend of £0.149m. The projected outturn has not been amended to reflect this as the impact of increased numbers of Universal Credit cases coupled with further benefit changes is ongoing; the method of calculating the contribution required is being reviewed to ensure it reflects changing patterns of arrears.

Right to Buy Sales:

From April 2012 the maximum Right to Buy discount increased from £26,000 to £75,000.

This has resulted in an increase in the number of applications and ultimately sales. There were 40 sales in 2013/14 and this increased to 41 sales in 2014/15.

The forecast for 2015/16 was set at 50, this being an increase of 7 on the level of sales assumed for Bury in the Government's self-financing valuation.

From July 2014 the maximum Right to Buy discount increased from £75,000 to £77,000 and the maximum percentage discount on houses increased from 60% to 70% (in line with the discounts allowed on flats). The maximum discount increased in April 2015 to £77,900.

From 26th May 2015 the qualifying period for Right to Buy has been reduced from 5 years to 3 years.

These changes may increase the number of applications and sales but it is too early after the changes to quantify this.

The number of sales has a direct effect on the resources available to the HRA – the average full year rent loss for each dwelling sold is around £3,800.

- 6.5 There have been 20 sales in the period April to September 2015. At this stage the total number of sales is not expected to differ significantly from the forecast therefore rental income projections have not been adjusted.
- 6.6 The Welfare Reform and Work Bill contains provision for a 1% reduction in social housing rents for 4 years from 2016/17 which will have a significant impact on future

HRA resources; the impact of this and of other changes in the recently published Housing and Planning Bill will be assessed as information becomes available.

7.0 PRUDENTIAL INDICATOR MONITORING

- 7.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The authority's approved Prudential Indicators (affordability limits) for 2015/16 is outlined in the approved Treasury Management Strategy Statement.
- 7.2 The authority continues to monitor the Prudential Indicators on a quarterly basis and Appendix C shows the original estimates for 2015/16 (approved by Council on 25 February 2015) with the revised projections as at 30 September 2015. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first 6 months of 2015/16.

8.0 TREASURY MANAGEMENT

8.1 Investments:

- 8.1.1 At the 30th September 2015 the Council's investments totalled £36.5 million and comprised:-

Type of Investment	£ Million
Call Investments (Cash equivalents)	13.5
Fixed Investments (Short term investments)	23.0
Total	36.5

- 8.1.2 All investments were made in line with Sector's suggested credit worthiness matrices and the approved limits within the Annual Investment Strategy were not breached during the first quarter of 2015/16.
- 8.1.3 The Council has earned the following return on investments:
Quarter 1 0.64%
Quarter 2 0.67%
- 8.1.4 This figure is higher than Sector's suggested budgeted investment earnings rate for returns on investments, placed for periods up to three months in 2015/16, of 0.50%

8.2 Borrowing:

- 8.2.1 No external borrowing was undertaken in the quarter to 30th September 2015.
- 8.2.2 At 30th September 2015 the Council's debts totalled £191,511 million and comprised:-

		30th September 2015		
		Principal		Avg. Rate
		£000	£000	
Fixed rate funding				
	PWLB Bury	131,453		
	PWLB Airport	2,555		
	Market Bury	57,500	191,508	
Variable rate funding				
	PWLB Bury	0		
	Market Bury	0	0	
Temporary Loans / Bonds		3	3	
Total Debt			191,511	3.92%

8.2.3 The overall strategy for 2015/16 is to finance capital expenditure by running down cash/investment balances and taking shorter term borrowing rather than more expensive longer term loans. With the reduction of cash balances the level of short term investments will fall. Given that investment returns are likely to remain low for the financial year 2015/16, then savings will be made by running down investments and taking shorter term loans rather than more expensive long term borrowing.

8.2.4 It is anticipated that replacement borrowing will be undertaken during the next quarter.

9.0 MINIMUM LEVEL OF BALANCES

9.1 The actual position on the General Fund balance is shown in the following table:

	£m
General Fund Balance 31 March 2015 per Accounts	10.487
Less : Minimum balances to be retained in 2015/16	-4.500
Less : Contribution towards cost of Equal Pay	-1.500
Less : Forecast overspend	-0.933
Available balances at 1 April 2015	3.554

9.2 Based on the information contained in this report, on the risk assessments that have been made at both corporate and strategic level, on the outturn position for 2015/16 and using information currently to hand on the likely achievement of savings options, it is clear that there is no reason to take the minimum level of balances above the existing level of £4.500m.

9.3 In light of the above assessment it is recommended that the minimum level of balances be retained at **£4.500m**.

9.4 Members are advised that using available balances to fund ongoing expenditure would be a breach of the Council's Golden Rules. Likewise, Members are advised that the Authority faces significant funding reductions in the future, and balances are likely to be required to fund one-off costs of service transformation.

10.0 EQUALITY AND DIVERSITY

10.1 There are no specific equality and diversity implications.

11.0 FUTURE ACTIONS

11.1 Budget monitoring reports will continue to be presented to the Strategic Leadership Team on a monthly basis and on a quarterly basis to the Cabinet, Overview & Scrutiny Committee, and Audit Committee.

11.2 Star Chambers have already been held for Quarter 1 and Q2 meetings are scheduled to take place in November 2015.

Councillor Rishi Shori, Deputy Leader of the Council and Cabinet Member for Finance and Housing

List of Background Papers:-

Finance Working Papers, 2015/16 held by the Interim Executive Director of Resources & Regulation.

Contact Details:-

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