

# Public Document Pack



## TRAFFORD COUNCIL

Tuesday, 11 February 2020

Trafford Town Hall  
Talbot Road  
Stretford  
M32 0TH

Dear Councillor,

Your attendance is requested at a meeting of the Council of the Borough of Trafford on **WEDNESDAY, 19 FEBRUARY 2020, at 7.00 P.M.** in the **COUNCIL CHAMBER, TRAFFORD TOWN HALL, TALBOT ROAD, STRETFORD**, for the transaction of the business set out below:

- |   | <b>Pages</b> |
|---|--------------|
| <b>1. Minutes</b>   |              |
| To approve as a correct record the Minutes of the Meeting of the Council held on 29 January 2020 for signature by the Mayor as Chair of the Council.  | 1 - 24       |
| <b>2. Announcements</b>   |              |
| To receive any announcements from the Mayor, Leader of the Council, Members of the Executive, Chairs of Scrutiny Committees and the Head of Paid Service.   |              |
| <b>3. Questions By Members</b>  |              |
| This is an opportunity for Members of Council to ask the Mayor, Members of the Executive or the Chairs of any Committee or Sub-Committee a question on notice under Procedure Rule 10.2.  |              |
| <b>4. Budget 2020/21</b>  |              |
| <ul style="list-style-type: none"><li>To consider and adopt the resolutions contained the joint reports of the Executive Member for Finance and Investment and the Corporate Director of Finance and Systems, presented to the Executive on 19 February 2020 and set out (a) - (d) below.</li></ul> |              |

*Continued ...*

- To set and approve the Council Tax Requirement for the District for the year beginning 1 April 2020, in accordance with the Local Government Finance Act 1992, as amended.
  - To set and approve, in accordance with the Local Government Finance Act 1992 as amended, the amounts as the amounts of the Council Tax for the year 2020/2021 for each of the categories of dwellings included in the respective valuation bands A to H.
- (a) **Executive's Revenue Budget Proposals 2020/21 and Medium Term Financial Strategy 2021/22 - 2022/23** 25 - 112
- (b) **Capital Strategy, Capital Programme and Prudential and Local Indicators 2020-2023** 113 - 156
- (c) **Treasury Management Strategy 2020/21 - 2022/23** 157 - 188
- (d) **Fees, Charges and Allowances 2020/21** 189 - 194

*The Fees, Charges and Allowances Booklet 2020/21 supports the report, however, it is not being circulated in hard copy. It will be made available on the Council Meetings page of the Council's website at [www.trafford.gov.uk](http://www.trafford.gov.uk) > Home > your Council > Councillors & committees > Committee meetings > Council > 19 Feb 2020 7.00 pm)*

Yours sincerely,



**SARA TODD**  
Chief Executive

### **Informal Meeting of the Council**

Note: At the conclusion of the meeting it is intended to hold an informal meeting of the Council to consider issuing invitations to Members of Council to be the Mayor and Deputy Mayor of the Borough for 2020/2021.

### Membership of the Council

Councillors R. Chilton (Mayor), L. Walsh (Deputy Mayor), D. Acton, S. Adshead, A. Akinola, S.B. Anstee, Dr. K. Barclay, J. Baugh, J. Bennett, Miss L. Blackburn, C. Boyes, J. E. Brophy, B. Brotherton, D. Bunting, D. Butt, T. Carey, Dr. S. Carr, K.G. Carter, C.H. Churchill, G. Coggins, M. Cordingley, J. Dillon, A. Duffield, N. Evans, M. Freeman, Mrs. D.L. Haddad, J. Harding, B. Hartley, J. Holden, C. Hynes, D. Jarman, D. Jerrome, P. Lally, J. Lamb, J. Lloyd, S. Longden, M. Minnis, A. Mitchell, D. Morgan, P. Myers, A. New, J.D. Newgrosh, E. Patel, K. Procter, S.B. Procter, B. Rigby, T. Ross, B. Shaw, J. Slater, E.W. Stennett, S. Taylor, S. Thomas, R. Thompson, M.J. Welton, A. Western, D. Western, G. Whitham, A.M. Whyte, A.J. Williams, B.G. Winstanley, J.A. Wright and Mrs. P. Young.

### Further Information

For help, advice and information about this meeting please contact:

Ian Cockill, Governance Officer  
Tel: 0161 912 1387  
Email: [ian.cockill@trafford.gov.uk](mailto:ian.cockill@trafford.gov.uk)

This Summons was issued on **Tuesday, 11 February 2020** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

### WEBCASTING

This meeting will be filmed for live and / or subsequent broadcast on the Council's website. The whole of the meeting will be filmed, except where there are confidential or exempt items.

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## TRAFFORD BOROUGH COUNCIL

29 JANUARY 2020

### PRESENT

The Worshipful the Mayor (Councillor Rob Chilton), in the Chair.

#### Councillors

|                         |                  |                 |
|-------------------------|------------------|-----------------|
| L. Walsh (Deputy Mayor) | N. Evans         | E. Patel        |
| D. Acton                | M. Freeman       | K. Procter      |
| S. Adshead              | Mrs. D.L. Haddad | S.B. Procter    |
| S.B. Anstee             | B. Hartley       | T. Ross         |
| Dr. K. Barclay          | J. Holden        | B. Shaw         |
| J. Bennett              | C. Hynes         | J. Slater       |
| Miss L. Blackburn       | D. Jarman        | S. Taylor       |
| C. Boyes                | D. Jerrome       | S. Thomas       |
| B. Brotherton           | P. Lally         | M.J. Welton     |
| D. Bunting              | J. Lamb          | A. Western      |
| D. Butt                 | J. Lloyd         | D. Western      |
| T. Carey                | S. Longden       | G. Whitham      |
| Dr. S. Carr             | M. Minnis        | A.M. Whyte      |
| K.G. Carter             | D. Morgan        | A.J. Williams   |
| C.H. Churchill          | P. Myers         | B.G. Winstanley |
| G. Coggins              | A. New           | J.A. Wright     |
| J. Dillon               | J.D. Newgrosh    | Mrs. P. Young   |

#### In attendance

|   |             |
|---|-------------|
| Corporate Director of Governance and Community Strategy | J. Le Fevre |
| Governance Officer                                      | F. Fuschi   |
| Senior Governance Officer                               | I. Cockill  |

### APOLOGIES

Apologies for absence were received from Councillors A. Akinola, J. Baugh, J. E. Brophy, M. Cordingley, A. Duffield, J. Harding, A. Mitchell, B. Rigby, E.W. Stennett and R. Thompson.

### 56. MINUTES

That the Minutes of the Meeting of the Council held on 27 November 2019, be approved as a correct record and signed by the Chair.

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**57. ANNOUNCEMENTS**

Councillor Raymond Bowker, MBE

The Mayor referred with sadness to the recent death of former Mayor and serving Councillor, Ray Bowker, aged 83, who had been in his 43<sup>rd</sup> year on the Council having served since Trafford's inception in 1973 to 1976 and then interrupted from 1980. Ray was known to all as a friend and very loyal Councillor, enthusiastic not only about his Village Ward but the whole of the borough and had been extremely proud to serve as the Borough's Mayor in 1999/2000. Undeniably, Ray was owed an enormous debt of gratitude for his decades of service to the Council and would be missed immensely.

The Group Leaders all conveyed their condolences and recalled Ray as a great friend, his enormous contribution to Trafford during a long and distinguished local government career and his three great passions, Timperley, Trafford and the welfare of young people. On behalf of all Members, staff, partners and residents of the Borough the Leader of the Council conveyed the thanks and appreciation for all Ray had done and the example he set on how to represent the people of Trafford. Unequivocally, the Group Leaders affirmed that Ray was truly a warm, friendly public spirited person, a legendary Ward Councillor, known locally as Mr. Timperley for whom people only had positive comments and thoughts for.

The Council expressed its sincere condolences to Ray's wife Hazel and family and as a mark of respect, stood in silence to pay tribute to an eminent colleague.

**58. QUESTIONS BY MEMBERS**

The Mayor reported that 11 questions had been received under Procedure Rule 10.2.

(a) Councillor Myers asked the following question for which he had given notice:

*"In 2019, Trafford Council spent £50.8 million on acquisitions and made loans of £102.6 million as part of its property investment strategy. How confident is the Executive Member for Housing and Regeneration that the anticipated returns on investments will be achieved?"*

Councillor Ross, the Executive Member for Finance and Investment confirmed that the matter was within his remit and reported that he had provided the following written response to Cllr Myers prior to the meeting:

*"Strategic Investments are governed by the Council's Asset Investment Strategy which has been developed in conjunction with external advisors CBRE. The Strategy seeks to acquire a balanced portfolio of investment assets capable of providing sustainable income streams to support the Medium Term Financial Plan, facilitate development and regeneration and support local authority functions.*

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*All investment decisions as part of this strategy are made by the Investment Management Board which is a cross party board comprising the Leaders of Conservatives, Greens, Liberal Democrats and the Labour Party as well as the Lead Member for Finance and Investment and the Executive member for Housing and Regeneration.*

*Risk is an integral part of making investments and the Council and Investment Management Board have adopted a prudent approach to investment:*

- *All opportunities are appraised for their portfolio fit and alignment to our investment strategy by our external advisors CBRE.*
- *Due diligence is performed on every investment and the outcome of that review is presented to the IMB as part of their decision making process.*
- *Every investment recommendation to the IMB comes with a robustness statement from the Corporate Director of Finance and Systems and a view from the Council's Monitoring Officer on the legal aspects.*
- *The Council's policy is also to set aside a risk reserve in relation to every investment which is usually about 1% of yield to assist in protecting the Council against market fluctuations.*
- *Performance of the asset investment strategy is reported to the Executive in the regular Budget Monitoring reports and an annual review of all assets and investment has just been conducted by CBRE and will be reported to the next Investment Management Board.*

*All of these measures help reduce the Council's exposure to risk however there will always be an element of market risk and we will be monitoring our investments very closely over the coming Brexit period.*

*The cross-party approach to investment combined with expert advice, due diligence and other measures puts us in a strong position to manage our risks."*

Councillor Myers asked as a supplementary question that given the increase in interest rates and downturn in high street footfall, the closure of retail stores and the failure to find tenants for existing property assets, how would the Executive Member improve the yield on property investments, particularly in the retail sector?

Recognising the challenges the economy continued to face, Councillor Ross advised that the Council would continue its cross-party approach with the Investment Strategy and maintain a balanced investment portfolio, conscious of the risk, would spread its investments and give due diligence on investments before they were agreed. The Executive Member assured Councillor Myers that the Council placed great importance on caution when considering investments, whilst also being grateful for their yield which went back into the Council's Revenue Budget.

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(b) Councillor Dr. Barclay had given notice of the following question:

*“Labour’s disastrous re-organisation of the bin service has led to the Council completely failing to meet its contractual and moral obligation to assist many of our senior residents and disabled residents with the collection and emptying of their bins. These groups of residents are often totally reliant on an assisted service. My casework is full of vulnerable residents who have not had their bins emptied for weeks. In every case I have been struck by the distress it has caused. Please can the Executive Member for Environment, Air Quality and Climate Change tell me what action is being taken to ensure that a reliable assisted bin collection service will be restored without delay?”*

Councillor Adshead, the Executive Member for Environment, Air Quality and Climate Change had provided the following written response in advance of the meeting:

*“The Council has been monitoring performance with Amey on a daily basis and identified the provision of assisted bins collection as a key failing of the service. The Council has asked Amey for their solution to the issue. The issue has been caused by unfamiliarity with individual collection points for the assisted collection and entry methods which need to be embedded in the crews. Other issues have been centred around crew behaviour.*

*Amey have stated that they recognise that assisted and repeated missed collections can affect the most vulnerable residents of Trafford. The procedure for handling of missed bins, particularly repeat and/or assisted collections has been reviewed and the following steps implemented;*

- 1. First failure – Supervisory intervention and investigation to understand the root cause. This can include access, vehicle breakdowns, roadworks and crew behaviour. The outcome is that the team fully understand the measures to be implemented to avoid repetition.*
- 2. The next collection checked off by the responsible supervisor.*
- 3. Second, or further failure – full investigation and disciplinary action, if crew behaviour is an issue, will be taken as appropriate.*

*This will be further supplemented by the reintroduction of the incab system now that the complete rounds have been balanced. This roll out commenced on the 20 January.*

*The Council has in recent days seen an uplift in performance due to the procedure being implemented but will continue to monitor it closely to ensure it returns to normal for the residents affected.”*

Councillor Dr. Barclay asked as a supplementary question how the Executive Member might assure the public that the incab system would work given problems experienced by her ward residents since it became operational on 20 January.

Councillor Adshead indicated that lessons were being learnt and that he was monitoring on a daily basis. Affirming that it was a matter he was taking very



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serious, the Executive Member appealed to Councillor Dr. Barclay to inform him of any unresolved assisted collection service issues and stated that he would be happy to meet with her anytime.

(c) Councillor Evans had given notice of the following question:

*“A report in the Manchester Evening News from last year reported how Bev Hughes, the Deputy Mayor of Greater Manchester with responsibility for policing, has repeatedly failed to meet with councillors from Manchester to discuss policing and crime in the city.*

*With additional funding from central government been released to recruit the first phase of additional officers for Greater Manchester Police, it is vital that Trafford receives its fair share of policing resources.”*

*Can the Executive Member for Public Safety, Governance and Reform, therefore, invite the Deputy Mayor to give a briefing before a Council meeting to update Members on her plans to keep Trafford as the safest district in Greater Manchester?”*

Councillor Freeman, the Executive Member for Public Safety, Governance and Reform had provided the following written response in advance of the meeting:

*“Thank you for your question regarding Trafford receiving its fair share of policing resources from the additional Police Officers GMP will be allowed to recruit as a result of additional funding being provided by the Government. I am happy to confirm that I will write to the Deputy Mayor for Police, Crime and Fire, inviting her to attend a briefing session to update Councillors in Trafford on her plans to keep Trafford as the safest district in Greater Manchester and will provide you with a copy of that invitation.”*

Councillor Evans asked as a supplementary question whether the Executive Member could assure him of his support in ensuring that Trafford Councillors are not treated the same as others throughout Greater Manchester by the Deputy Mayor responsible for policing.

In response, Councillor Freeman advised on the allocation of money for England and Wales and the numbers of extra police officers for Greater Manchester, however, cautioned that the government grant report was not due to be discussed and voted upon in Parliament until the next month.

The Executive Member explained that the police force allocated officers to its Divisions in accordance with the problem solving index, which covered a number of factors, including deprivation data and police incident and crime figures to determine relative levels of complexity in policing. Importantly, Councillor Freeman stressed that if Trafford was to get substantially more police officers it was vital that residents report crime and suspicious incidents to the police.

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Having outlined the budget and staffing reductions in Greater Manchester since 2010, the Executive Member declared that, in terms of being able to expand operational policing, the only new money Greater Manchester Police had received over the past 5 years was as a result of the precept and not through the actions of central government.

(d) Councillor Butt had given notice of the following question:

*“Can the Executive Member for Environment, Air Quality and Climate Change tell me what Trafford’s Percentage of household waste sent for reuse, recycling or composting was in the financial year 2018/19?”*

Councillor Adshead, the Executive Member for Environment, Air Quality and Climate Change had provided the following written response in advance of the meeting:

*“Trafford’s percentage of household waste sent for reuse, recycling or composting in 2018/19 was 57.3%. When broken down this was made up of 24.06% of arisings sent for recycling and 33.23% sent for composting.”*

Councillor Butt asked as a supplementary question, for the Executive Member to explain what steps were taken, why they failed and whether or not he would apologise to Trafford residents for breaking one of his group’s 2018 key election pledges: 23 to actively encourage recycling and remain the best performing borough in Greater Manchester.

Councillor Adshead refuted Councillor Butt’s claims by stating that Trafford remained one of the top performing boroughs in the North West and the country.

Referring to a downturn in the 2018/19 figures, the first year of the garden waste collection charge, the Executive Member evidenced that the following year as a result of the pledge to make the service free again, green waste collection rose and residual waste reduced. Another factor in 2018/19 was the record temperatures which impacted upon grass cutting.

Councillor Adshead reported that recycling rates were forecast to increase again and indicated there were plans to increase the capacity of black bin and food waste recycling. The Executive Member recapped that the points Councillor Butt had made were not consistent with the actual record and thanked residents, as without their endeavours, Trafford’s excellent performance in this area would not have been possible.

(e) Councillor Anstee asked the following question, the first of two questions, for which he had given notice:

*“Under the previous Conservative administration, there were 7 Executive Member roles plus the Leader who received £125,202.01 in Special Responsibility Allowances. Last year, under Labour there were 9 Executive Member roles plus the Leader who received £149,294.84 in Special Responsibility Allowances.”*

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*Can the Executive Member explain why the administration felt it necessary to spend an extra £25,000 of Trafford taxpayers' money on Labour Councillors?"*

Councillor Andrew Western, the Leader of the Council responded by stating that the figures quoted were entirely incorrect and that in fact the former Leader of the Council had 8 Members on his Executive in 2017/18. There were also 3 Deputy Executive Members at that point, therefore, when factoring in the total cost of Executive arrangements, last year the total cost under the Labour administration was almost £7000 less than under Councillor Anstee's tenure as Leader.

As a supplementary question, Councillor Anstee asked does the Leader not agree that the message being sent to Trafford taxpayers is that when it comes to the priorities of this administration, the Labour Party will always prioritise itself over front line services in the borough?

Councillor Andrew Western responded that as stated not only had they reduced the number of Executive and Deputy Executive roles that were in place but furthermore had consequently spent less in the year referred to. Indicating that it was difficult to answer questions when the figures quoted were incorrect, the Leader apprised Council of the Conservative Executive arrangements in place at that time totalling £128,323, excluding the Leader's allowance. The total for last year under Labour was £121,572, excluding the Leader's allowance which remained un-changed, therefore, Councillor Andrew Western was perplexed as to how Councillor Anstee could suggest that Labour had increased allowances when the overall reduction was there for all to see. As to where the Leader of the Council stood on overall services, he thought it incredulous given his thoughts on how the previous administration had impacted services in the borough.

(f) Councillor Anstee had given notice of a second question as follows:

*"Members across the Chamber have been inundated with complaints from residents since the changes to domestic waste collection rounds in October. Some residents have complained that they are receiving no collections at all for 6 weeks at a time. The situation appears to be worst in the Hale, Bowdon and Timperley areas, with Conservative Councillors from those area's inboxes overwhelmed with resident complaints.*

*Recently we had the strange spectacle of the Council writing to its own contractor to admit it cannot manage them following collection round changes it itself was party too and shouldn't have allowed to happen. Can the Executive Member explain what steps are being taken to restore the service back to the levels that residents rightly expect?"*

Councillor Adshead, the Executive Member for Environment, Air Quality and Climate Change had provided the following written response in advance of the meeting:

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*“The Council has written to Amey to express its dissatisfaction with the issues with the service throughout the route optimisation programme. A number of targets have been set to decrease complaints in several areas by the 31 January.*

*These include a range of triggers to*

- reduce the amount of stage 1 complaints to pre-route optimisation levels by the end of January;*
- maintain stage 1 complaints at that level from February onwards;*
- stop escalations to stage 2 by thoroughly investigating and communicating findings of stage 1 complaints;*
- reduce the number of service requests to baseline levels;*
- improve the Assisted Collections by putting in a performance procedure as answered in Question 2;*
- implement further performance enhancements from 1 February to decrease the number of service requests to show real improvement in the service going forward.*

*Amey have committed to supply the resource needed to bring the service back on track included support to back office staff and in excess of twenty waste collections operatives, with six extra vehicles. They have acknowledged that the service was disrupted during the Christmas period, and have confirmed their commitment that resource will continue to be maintained at the required level to deliver the transition.*

*Recognising that challenges were encountered in some key areas, particularly in the Hale Barns and Flixton wards, the provision of the incab systems is key to improving performance. The rounds were initially designed using existing data, computer modelling and input from crews, however, these needed to be refined before inputting into the system. This exercise has now been completed with the final re-balanced rounds formatted for the in-cab system. The upload of these rounds to the system has started, with the in-cab roll out schedule to commence on Monday 20 January with the full roll out being achieved within ten working days. The in-cab system provides live feedback on street (zone) completions and the reporting of collections that could not be undertaken e.g. missed bins, contaminated bins or ones not presented.*

*Following the roll-out of the in-cab system, Amey shall provide a fortnightly Councillor update from February. This shall include a considered reflection of service delivery alongside a forward look at forthcoming actions and areas of focus.”*

Given that changes had long been discussed between the Council and its contractor and the measures now being taken, as outlined in Councillor Adshead’s response, Councillor Anstee asked as a supplementary question, why the Executive Member allowed changes to be made before the technology was in place, rather than wait for it to go wrong in the first place.

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Councillor Adshead implied there was an assumption that the problems were not there beforehand, something that he wished to dispel. There had been issues for a number of years for which optimisation was necessary. Admittedly, difficulties had been encountered and Councillor Adshead appealed to Councillor Anstee to support and help be part of the solution, indicating that he was happy to meet with him to discuss matters in his area. The Executive Member apologised for the problems causing concern and wished to assure the Council and public that he was working hard to resolve them.

- (g) Councillor Morgan asked the following question for which he had given notice:

*“Can the Executive Member for Housing and Regeneration provide an update on procuring a joint venture partner to redevelop Altrincham’s Grafton Centre?”*

Councillor Wright, the Executive Member for Housing and Regeneration advised that the scheme was currently in the procurement phase, being managed by STAR Procurement with 2 bids having been received which were subject to ongoing evaluation and due diligence. Recommendations to appoint a successful bidder were anticipated early February 2020.

As a supplementary question Councillor Morgan referred to media reports of Council plans for Altrincham’s Shopping Centre and asked whether the Executive Member could announce when these plans would be shared with Members as well as the residents of Altrincham.

Councillor Wright confirmed that the Council was in talks with Bruntwood, the Council’s joint venture partner, about plans for the site which would be forthcoming over the next few months and that he would keep all members informed of the developments.

- (h) Councillor Holden asked the following question for which he had given notice:

*“In the light of recent and on-going representations concerning residential and infrastructure developments across Carrington Moss, could the Executive Member for Housing and Regeneration confirm that the Council is still minded to allow and encourage the possible development of the area?”*

Councillor Wright, the Executive Member for Housing and Regeneration advised reported that the new Carrington site was proposed as part of the Greater Manchester Spatial Framework (GMSF) to which all the ten local authorities in Greater Manchester were working in partnership with the Greater Manchester Combined Authority towards producing. The site would make an important contribution to the overall GMSF growth targets with the potential to deliver approximately 6,000 homes in total and up to 500,000 sqm of employment floor space.

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Work was currently underway to prepare a comprehensive masterplan for the site which would help to inform the New Carrington policy in the next Draft GMSF, scheduled for consultation in Summer 2020. All residents, landowners and businesses would be able to submit their representations on the Draft as per the previous consultations. A number of evidence base studies were also underway for the site that included a Transport Assessment, consideration of active travel, public transport and highways; as well as studies relating to the ecology and biodiversity of the site, historic environment assessment and development viability.

The Council was continuing to engage with local groups and residents on the New Carrington site.

Councillor Holden referred to the highway plans for the open area of Carrington Moss and asked as a supplementary question when the Council anticipated taking proper plans to residents to give those that would be affected by the development and operation of the road network an opportunity to comment.

The Executive Member advised that the Council had to wait for the next draft GMSF to be produced before any plans could be taken forward but naturally the Council would consult with local residents and local campaign groups to discuss any particular route that may go along Carrington Moss. Councillor Wright confirmed that the Council was committed to public consultation and provided an assurance that it would happen, although at the current time a date could not be given.

- (i) Councillor Jerrome asked the following question for which he had given notice:

*“30 new 1-and-2 bed social rent homes were approved by the planning committee on Carrfield Avenue in Timperley on 16 January 2020 which is good news. Are these homes now owned by Trafford Housing Trust and are they subject to Right to Acquire? Does this Council have the means or power to stop affordable and social homes being sold off to private ownership and not kept in perpetuity?”*

Councillor Wright, the Executive Member for Housing and Regeneration reported that the properties on Carrfield Ave, once built, would be owned by Trafford Housing Trust. Right to Acquire was National Legislation that would apply to the properties as long as the tenant wishing to purchase met the qualifying criteria and had been a housing association tenant for 3 years. There were no powers that would allow the Council to stop Right to Acquire, as it was governed by national regulation, applying to England only and most affordable homes built by Registered Providers with public subsidy since 1997, were covered by that right.

Councillor Wright indicated that he would be happy to write with more information on the criteria for Right to Acquire, should that be a help to Councillor Jerrome.

Councillor Jerrome asked as a supplementary question whether a Section 106 agreement could be used by the Council to ensure that the route of Right to Acquire or Right to Buy was not used?

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In response, the Executive Member understood that there was not a Section 106 option due to national legislation, however, advised that within Greater Manchester and the Housing Commission there was action to lobby the government to end Right to Acquire and Right to Buy and the Council would continue to support lobbying action as it was the only course of action at the current time.

(j) Councillor Newgrosh had given notice of the following question:

*“We can all acknowledge the bin route optimisation has not gone nearly as well as we had hoped. I, as I am sure many other Councillors here, are inundated with reports of missed bins, and piecemeal collections. In light of Trafford Council’s recent threat to take back control of this statutory service from Amey One Trafford, what marker has the Council set that would trigger this contract break?”*

Councillor Adshead, the Executive Member for Environment, Air Quality and Climate Change had provided the following written response in advance of the meeting:

*“The Council is continuing to review the contractual remedies available to it, including the imposition of penalties in order to enable it to take positive action against Amey should the poor performance on waste continue. A number of strong targets have been set to secure a decrease in complaints in several areas by the 31 January.*

*These include a range of triggers to:*

- reduce the amount of stage 1 complaints to pre –route optimisation levels by the end of January;*
- maintain stage 1 complaints at that level from February onwards;*
- stop escalations to stage 2 by thoroughly investigating and communicating findings of stage 1 complaints;*
- reduce the number of service requests to baseline levels;*
- improve the Assisted Collections by putting in a performance procedure as answered in Question 2;*
- implement further performance enhancements from 1 February to decrease the number of service requests to show real improvement in the service going forward.*

*The Council will review performance up to the 31 January against these measures and will re-assess what powers to use under the contract at that point should performance not have reached the target set.”*

As a supplementary question, Councillor Newgrosh asked what provision had the Council put in place to take control of the mandatory Council service?

In response, Councillor Adshead advised that he had been monitoring reports on a daily basis and specific actions had already been taken with regard to sickness absence over the Christmas period. The Executive Member indicated that he would be happy to discuss issues further with Councillor Newgrosh and would

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certainly be meeting with senior officers over the next few days to discuss the possible plans they had formulated and once a position had been determined it would be made available to members. Councillor Adshead was particularly concerned about assisted collections and assured the Council that he was working hard to resolve issues.

(k) Councillor Coggins had given notice of the following question:

*“14 months on from our climate emergency declaration, what actions has the Council taken to implement the recommendations of the task and finish group, given to the Executive meeting in September last year?”*

Councillor Adshead, the Executive Member for Environment, Air Quality and Climate Change had provided the following written response in advance of the meeting:

*“Actions taken by the Council following the climate change emergency declaration in 2018 and the submission of the report and recommendations of the Task and Finish Group submitted to Executive on 26 September 2019 have included the following:*

- *The Leader of Trafford Council becoming Green City Region lead for GMCA and Chair to the Green City Region Board.*
- *Appointment of consultants to lead on the development of a ‘Carbon Neutral Trafford’ framework, programme of stakeholder engagement and development of a carbon budget linked to the GM carbon neutrality target date of 2038. This work reports to the Council’s Corporate Director of Place.*
- *Establishing a cross-service working group to look at decarbonising the Council’s estate in terms of land and buildings, with support from consultants working on the GMCA ‘Decarbonising the Public Estate’ work stream, linked to Friends of The Earth/Ashden produced ‘31 Climate Actions for Councils’. This work focuses on identifying the top consumers of energy, whilst identifying potential projects that might reduce energy the Council’s consumption and carbon footprint.*
- *Participation in a Government-funded pilot to develop specific carbon literacy training for staff and elected members to identify and commit to actions that will contribute to reducing our carbon footprint.*
- *The Leader of the Council contacting the Greater Manchester Pension Fund to request a position statement on the potential impact that divesting from carbon intensive assets will have on this fund and to recommend working towards divestment alongside a proactive approach to utilising the funds for local green growth.*

*Over the Coming months we will continue to pursue this agenda and embed it within our projects and services at every opportunity.”*



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As a supplementary question, Councillor Coggins asked whether the lack of action four months , particularly as most of the recommendations, even the no cost recommendations, had not been implemented, along with the Council's recent £70 million loan for offices and a car park at Manchester Airport, were utterly incompatible with Trafford's climate change responsibilities.

The Executive Member acknowledged the point that seemingly some matters don't appear to move but highlighted some of the linked Council actions undertaken or agreed through reports which contributed to the global picture. Councillor Adshead accepted that the Council could do more and would do more and reasoned that it perhaps needed to publicise its contributions.

**59. MEMBERSHIP OF COMMITTEES AND OUTSIDE BODIES**

RESOLVED: That the Council notes the following membership changes to Committees and Outside Bodies, necessitated by Council Patel's appointment to the Executive and agreed by the Chief Executive under delegated authority:

(a) Accounts and Audit Committee

With effect from 10 January 2020, Councillor Winstanley was appointed as a member of the Accounts and Audit Committee and Councillor Lloyd appointed the Committee's Vice-Chair.

(b) Planning and Development Management Committee

Councillor Hartley was appointed to the Planning and Development Management Committee, with effect from 10 January 2020 and subsequently on 29 January 2019, Councillor Akinola was appointed to the substitute position on the Committee previously held by Councillor Hartley.

(c) Greater Manchester Combined Authority: Greater Manchester Culture and Social Impact Fund Committee

Councillor Patel was nominated as a replacement for Councillor Baugh on 15 January 2020.

(d) Association of Greater Manchester Authorities: Statutory Functions Committee

Councillor Patel was nominated as a replacement for Councillor Baugh on 15 January 2020.

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**60. EXTENSION OF SIX MONTH ATTENDANCE RULE**

The Corporate Director of Governance and Community Strategy submitted a report requesting the Council to consider a waiver of the six-month rule under the Local Government Act 1972 and to excuse the non-attendance of Councillor Jane Baugh at Council meetings for a further 6 months having regard to the circumstances of her absence from meetings.

RESOLVED –

- (1) That, having regard to the circumstances of the absence of Councillor Jane Baugh from Council meetings, the requirements of Section 85 of the Local Government Act 1972, be waived and that an extension of 6 months from the date of the meeting be approved.
- (2) That the Council expresses its best wishes to Councillor Baugh and wishes her a speedy recovery.

**61. PETITION REQUESTING CROSSING ON BARRINGTON ROAD, ALTRINCHAM**

Petition organiser, Rachel Pleasant introduced the following petition containing 517 signatures, which had been presented to the Council:

*“The Council is requested to give consideration to a crossing on Barrington Road, Altrincham.*

*The section where Sandiway Road / Gaskell Road intersect Barrington Road is used by many as a daily crossing point and is extremely dangerous. Traffic flow is often heavy in both directions, especially at peak travel times. Often pedestrians are forced to cross and wait in the middle of the road before a vehicle will stop to allow safe crossing. Many school children must cross this busy road each day to get to some of the local primary and secondary schools and increasingly have to wait longer to cross. There is concern that a serious accident could occur if a safe crossing is not made available.*

*Currently, there is only one crossing point on Barrington Road (at the junction with the A560, opposite Altrincham Methodist Church) which is insufficient for a road of this length, with such high volumes of traffic. This road is one of the main routes in and out of Altrincham Town Centre and people would be encouraged to walk and cycle more around this area if crossing this road was easier.*

*A crossing point, wherever is safest, around the aforementioned junction would also help cars and cyclists to safely pull out of Gaskell Road and Sandiway Road onto Barrington Road. On the Bee Network map, Barrington Road is already marked as a red ‘severance line’, cutting across significant ‘desire lines’ between local communities, parks, businesses and schools at the junction with the above two roads. The road here is also very wide, long and straight so traffic often appears to travel well in excess of the speed limit. Also, the large radius of the junctions with Gaskell Road and Sandiway Road*

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*enables cars to turn without needing to slow down significantly, while leaving pedestrians with a very wide expanse of road to cross before reaching safety.*

*There is a great deal of support for the proposal and it is hoped that a crossing will be considered."*

Addressing the Council, the lead petitioner drew attention to a fatal incident the previous Sunday which had occurred at the Barrington Road / Manchester Road Junction to emphasise the danger to pedestrians. In addition, with parked cars adding to poor visibility and vehicles that appeared to travel at speeds in excess of the 30 mph limit, the road was imitating to cross, particularly for young children. Aware that the area was being investigated in terms of the Bee Network, the petitioner expressed concern that the funding for the road/junction was not definite or that work may not happen for some years to come.

Councillors Adshead, Evans, Newgrosh and Welton debated the petition on behalf of the political parties and made the following points:

Councillor Adshead: The Council needs to await Transport for Greater Manchester's (TfGM's) assessment of the scheme. Also, further to the Corporate Director's response sent to the lead petitioner, Councillor Adshead, as relevant Executive Member, would ensure that regular updates on progress with the process were provided to the petitioner.

Councillor Evans: Mindful of the number of amenities on Barrington Road, indicated support for a crossing.

Councillor Newgrosh: Aware of the problem, supported the request for a safe crossing.

Councillor Welton: Appreciated that the community was surrounded by busy roads and appealed for a rebalance of priorities away from motorists driving through a community towards the quality of life for those residents that live there. Advocated a solution that enhances walking and cycling as a means of improving public health and called for a review of the way the highways capital expenditure repairs programme was formulated so not to miss opportunities for walking and cycling through remodelling.

Following the debate, Councillor Andrew Western, the Leader of the Council summarised what action the Council planned to take.

The Leader advised that whilst, in principle, nobody was opposed to the petition request, there was a process that needed to be followed and that if the actions articulated in the debate were to be undertaken it would take a considerable amount of time, possibly several years. The Leader, therefore, confirmed that the Council would wait for TfGM to report the findings of its safety-based audit of the location, the methodology of which across Greater Manchester was on the basis of assessed need. Referring to the issue of speeding motorists on Barrington

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Road, Councillor Andrew Western also advised that he would raise that particular matter with the local police.

The Leader of the Council was appreciative of the work undertaken to gather signatures but indicated that the audit undertaken would be independent of that exercise. The Council would urge TfGM to complete its investigations as quickly as possible and as the Executive Member had stated, would keep the lead petitioner updated throughout the process.

## **62. REPORT OF THE INDEPENDENT REMUNERATION PANEL**

[Note: Councillors Carey and Carter each declared a prejudicial interest in this matter being a Member appointed to one of the roles referred to in the Independent Remuneration Panel's recommendations.]

The Chief Executive submitted a report presenting the recommendations of the Independent Remuneration Panel convened in August 2019 to consider amendments to the Scheme of Members' Allowances.

It was moved and seconded that:

- “(1) That the recommendations of the Panel, as set out in Appendix 1 to the report, be approved and backdated to the date of appointment of 22 May 2019.
- (2) That the Corporate Director of Governance and Community Strategy be authorised to revise Part 6 of the Constitution (Members' Allowances Scheme), in accordance with this decision.”

In putting the Motion to the vote a recorded vote was called for, in accordance with Procedure Rule 16.5. This resulted as follows:

Those in favour of the Motion: Councillors Acton, Adshead, Bennett, Brotherton, Coggins, Dr. Carr, Dillon, Freeman, Hartley, Hynes, Jarman, Jerome, Lloyd, Longden, New, Patel, K. Procter, S. Procter, Ross, Slater, Taylor, Thomas, Walsh, Welton, A. Western, D. Western, Whitham, Whyte, Williams, Winstanley and Wright.

Those against the Motion: Councillors Anstee, Dr. Barclay, Miss Blackburn, Boyes, Bunting, Butt, Mrs. Churchill, Evans, Mrs. Haddad, Holden, Lally, Lamb, Morgan, Myers, Shaw and Mrs. P. Young.

Those choosing to abstain: Councillors Minnis and Newgrosh.

With the result of the vote being 31 in favour and 16 against, with 2 abstentions, the Motion was declared carried.

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RESOLVED –

- (1) That the recommendations of the Panel, as set out in Appendix 1 to the report, be approved and backdated to the date of appointment of 22 May 2019.
- (2) That the Corporate Director of Governance and Community Strategy be authorised to revise Part 6 of the Constitution (Members' Allowances Scheme), in accordance with this decision.

**63. 6-MONTH CORPORATE REPORT ON HEALTH, SAFETY AND WELLBEING - 1 APRIL TO 30 SEPTEMBER 2019**

The Executive Member for Finance and Investment submitted a report providing information on Council wide health and safety performance and trends in the workplace accidents. The report also provided a summary of other key developments in health, safety and wellbeing for the period 1 April to 30 September 2019.

With regard to terminology used in the report, the Executive Member agreed to a request to give consideration to the replacement of the term "Road Traffic Accident" in favour of a more neutral description, for example, "Road Traffic Crash or Collision" so not to imply guilt or blame, an approach which was advocated by road safety organisations and Greater Manchester Police.

RESOLVED: That the report be noted.

**64. MOTION SUBMITTED BY THE LABOUR GROUP - COMMITMENT TO SUPPORTING DISABLED PEOPLE AND RE-ADOPTION OF THE SOCIAL MODEL OF DISABILITY**

It was moved and seconded that:

"This Council recognises that in recent years, as a result of austerity, many disabled people have seen a reduction in the support and help available to them. We believe this to be completely unacceptable and seek to restore equality of opportunity for disabled residents in order to create a fully inclusive Borough.

Trafford Council embraces and upholds its duty, under the Equality Act 2010 and the Public Sector Equalities Duty of 2011 and seeks to eliminate all discrimination on the grounds of Disability, whilst fostering good relationships.

Moreover, Trafford Council embraces the Social Model of Disability, which moves away from viewing disability as an impairment; understanding that people are disabled by the barriers they face in society. The social model recognises the barriers that make life harder for disabled people. By seeking to remove these barriers, this Council strives to create equality; thus offering disabled people more independence, choice and control.

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In reinforcing the Social Model of Disability, this Council recognises that barriers for disabled people can be:

- Organisational – including where the set-up of an organisation or system can create obstacles and problems for disabled people.
- Physical - where the physical design or layout of buildings and public spaces can create barriers, rendering them inaccessible to disabled people.
- Attitudinal - where there is a failure to consider or understand the requirements of disabled people. Or where there is conscious or unconscious bias or negative attitudes towards disabled people; creating a hostile, unwelcoming or discriminatory environment.

In recognising the value of the Social Model of Disability, Trafford Council believes that inclusivity and accessibility must be at the heart of all we deliver.

Trafford Council pledges to support disabled people in Trafford by re-adopting the Social Model and so strive in its policies and practices to create inclusive neighbourhoods and communities. We strive to remove barriers, whether Organisational, Physical or Attitudinal; thus enabling Disabled People to fully participate in and benefit from all Trafford's opportunities, facilities and activities."

(Note: The time being 8:25 p.m., the Mayor indicated that speeches on this matter would now be limited to a maximum of three minutes per speaker.)

Following a debate on the matter, the Motion was agreed by general consent of the Council.

**RESOLVED:** That this Council recognises that in recent years, as a result of austerity, many disabled people have seen a reduction in the support and help available to them. We believe this to be completely unacceptable and seek to restore equality of opportunity for disabled residents in order to create a fully inclusive Borough.

Trafford Council embraces and upholds its duty, under the Equality Act 2010 and the Public Sector Equalities Duty of 2011 and seeks to eliminate all discrimination on the grounds of Disability, whilst fostering good relationships.

Moreover, Trafford Council embraces the Social Model of Disability, which moves away from viewing disability as an impairment; understanding that people are disabled by the barriers they face in society. The social model recognises the barriers that make life harder for disabled people. By seeking to remove these barriers, this Council strives to create equality; thus offering disabled people more independence, choice and control.

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## **65. MOTION SUBMITTED BY THE LABOUR GROUP - FIREWORKS**

It was moved and seconded that:

“Many members will have received the model motion from Royal Society for the Prevention of Cruelty to Animals members and supporters who are rightly concerned about the impact of fireworks on pets and livestock. It is generally regarded that this is a growing problem in residential areas and can be seen as a type of anti-social behaviour.

Short of banning fireworks at this stage, we need to look at a range of measures to mitigate the public nuisance and adverse effect on animals. We have been made aware of the work done by Greater Manchester Fire and Rescue Service (GMFRS) and Greater Manchester Anti-Social Behaviour Unit (GMASBU) on the 2019 TREACLE campaign for responsible use of fireworks.

We therefore call upon this Council to:

1. Recognise and adopt the TREACLE initiative which is produced by GMFRS and GMASBU to promote safe practices for the enjoyment of fireworks.

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2. Support and actively promote the 2020 TREACLE campaign which will be launched in mid-October to coincide with the sale of fireworks in the shops and raise awareness of safe practices and the enforcement powers of the police, fire service and trading standards.
3. Call on the government to look at the whole area of fireworks in residential areas to see if any legislative changes would be appropriate.”

(Note: Following speeches made by the mover and seconder of the motion, the time being 8:52 p.m., the Mayor indicated that speeches on this matter would now be limited to a maximum of two minutes per speaker.)

Following a debate on the matter, the Motion was agreed by general consent of the Council.

RESOLVED: That many members will have received the model motion from Royal Society for the Prevention of Cruelty to Animals members and supporters who are rightly concerned about the impact of fireworks on pets and livestock. It is generally regarded that this is a growing problem in residential areas and can be seen as a type of anti-social behaviour.

Short of banning fireworks at this stage, we need to look at a range of measures to mitigate the public nuisance and adverse effect on animals. We have been made aware of the work done by Greater Manchester Fire and Rescue Service (GMFRS) and Greater Manchester Anti-Social Behaviour Unit (GMASBU) on the 2019 TREACLE campaign for responsible use of fireworks.

We therefore call upon this Council to:

1. Recognise and adopt the TREACLE initiative which is produced by GMFRS and GMASBU to promote safe practices for the enjoyment of fireworks.
2. Support and actively promote the 2020 TREACLE campaign which will be launched in mid-October to coincide with the sale of fireworks in the shops and raise awareness of safe practices and the enforcement powers of the police, fire service and trading standards.
3. Call on the government to look at the whole area of fireworks in residential areas to see if any legislative changes would be appropriate.



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**66. MOTION SUBMITTED BY THE LABOUR GROUP - NATIONAL JOINT COUNCIL (NJC) PAY: A FULLY FUNDED, PROPER PAY RISE FOR COUNCIL AND SCHOOL WORKERS**

[Note: Before speaking on the Motion, Councillors Slater (mover), Williams (seconded) and Thomas declared personal interests in this matter as follows:

- Councillor Slater as a local government employee and member of the Unison union;
- Councillor Williams as a member of the Unison union;
- Councillor Thomas as a member of the GMB union.]

It was moved and seconded that:

“This Council notes that:

- Local government has endured central government funding cuts of nearly 50% since 2010.
- Between 2010 and 2020, councils will have lost 60p out of every £1 they have received from central government.
- The 2019 Local Government Association (LGA) survey of council finances found that 1 in 3 councils fear they will run out of funding to provide even their statutory, legal duties by 2022/23. This number rises to almost two thirds of councils by 2024/2025 or later.
- The LGA estimates councils will face a funding gap of £8 billion by 2025.
- Faced with these cuts from central government, the local government workforce has endured years of pay restraint with the majority of pay points losing 22 per cent of their value since 2009/10.
- At the same time as seeing their pay go down in real terms, workers experience ever increasing workloads and persistent job insecurity. Across the UK, an estimated 876,000 jobs have been lost in local government since June 2010 – a reduction of 30 per cent. Local government has arguably been hit by more severe job losses than any other part of the public sector.
- There has been a disproportionate impact on women, with women making up more than three quarters of the local government workforce.

This Council believes:

- Our workers are public service super heroes. They keep our communities clean, look after those in need and keep our towns and cities running.
- Without the professionalism and dedication of our staff, the council services our residents rely on would not be deliverable.
- Government funding has been cut to the extent that a proper pay rise could result in a reduction in local government services.

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- The government needs to take responsibility and fully fund increases in pay; it should not put the burden on local authorities whose funding has been cut to the bone.

This Council resolves to:

- Support the pay claim submitted by UNISON GMB and Unite on behalf of council and school workers for a £10 per hour minimum wage and a 10 per cent uplift across all other pay points in 2020/21.
- Call on the Local Government Association to make urgent representations to central government to fund the NJC pay claim.
- Write to the Chancellor and Secretary of State to call for a pay increase for local government workers to be funded with new money from central government.
- Meet with local NJC union representatives to convey support for the pay claim.
- Encourage all local government workers to join a union.”

Following a debate on the matter, the Motion was put to the vote and declared carried.

RESOLVED: That this Council notes that:

- Local government has endured central government funding cuts of nearly 50% since 2010.
- Between 2010 and 2020, councils will have lost 60p out of every £1 they have received from central government.
- The 2019 Local Government Association (LGA) survey of council finances found that 1 in 3 councils fear they will run out of funding to provide even their statutory, legal duties by 2022/23. This number rises to almost two thirds of councils by 2024/2025 or later.
- The LGA estimates councils will face a funding gap of £8 billion by 2025.
- Faced with these cuts from central government, the local government workforce has endured years of pay restraint with the majority of pay points losing 22 per cent of their value since 2009/10.
- At the same time as seeing their pay go down in real terms, workers experience ever increasing workloads and persistent job insecurity. Across the UK, an estimated 876,000 jobs have been lost in local government since June 2010 – a reduction of 30 per cent. Local government has arguably been hit by more severe job losses than any other part of the public sector.
- There has been a disproportionate impact on women, with women making up more than three quarters of the local government workforce.

This Council believes:

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- Without the professionalism and dedication of our staff, the council services our residents rely on would not be deliverable.
- Government funding has been cut to the extent that a proper pay rise could result in a reduction in local government services.
- The government needs to take responsibility and fully fund increases in pay; it should not put the burden on local authorities whose funding has been cut to the bone.

This Council resolves to:

- Support the pay claim submitted by UNISON GMB and Unite on behalf of council and school workers for a £10 per hour minimum wage and a 10 per cent uplift across all other pay points in 2020/21.
- Call on the Local Government Association to make urgent representations to central government to fund the NJC pay claim.
- Write to the Chancellor and Secretary of State to call for a pay increase for local government workers to be funded with new money from central government.
- Meet with local NJC union representatives to convey support for the pay claim.
- Encourage all local government workers to join a union.

The meeting commenced at 7.00 p.m. and finished at 9.20 p.m.

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## TRAFFORD BOROUGH COUNCIL

**Report to:** Executive and Council  
**Date:** 19 February 2020  
**Report for:** Decision  
**Report of:** Executive Member for Finance and Investment and the Corporate Director of Finance and Systems

### Report Title

**Executive's Revenue Budget Proposals 2020/21 & MTFS 2021/22 - 2022/23**

### Summary

This report sets out the Executive's updated 3 year budget strategy proposals and detailed revenue budget proposals for 2020/21 and Medium Term Financial Strategy (MTFS) for the period 2021/22-2022/23.

The key summary of figures for the revenue budget are:

- The overall budget movement for 2020/21 is an increase in the net budget of £5.26m or 3.09%, from £169.94m to £175.20m.
- The budget funding gap for the three years before applying these proposals is now estimated to be £42.13m comprising:
  - £36.9m of additional cost pressures
  - £5.23m of reductions to funding
- The proposals contained in the report close the 2020/21 budget gap of £18.50m via a mixture of measures:
  - Additional funding of £3.98 million and use of reserves £4.47m
  - Income generation £6.12m
  - Service delivery savings £3.93m
- It should be noted that if all the proposals in this report are implemented there currently still remains a residual budget gap of:
  - £15.01m in 2021/22, and
  - £5.66m in 2022/23

Throughout 2020 the Executive will continue to review proposals to address this budget gap.

## **Recommendation(s)**

### **That the Executive recommend to Council that it :-**

- a) Approves the 2020/21 net Revenue Budget of £175.20m.
- b) Approves the 2021/22 to 2022/23 Medium Term Financial Strategy (MTFS) including the income and savings proposals.
- c) Approves the calculation of the Council Tax Requirement as summarised in Section 9.1 and set out in the Formal Council Tax Resolution in Annex K (any update for changes in Mayoral Police and Crime Commissioner or Mayoral General (incl. Fire Services) Precepts, if any, will be tabled at the Council Meeting);
- d) Approves the proposal to increase Council Tax by 3.99% in 2020/21:
  - o 1.99% general increase in the 'relevant basic amount' in 2020/21, 2021/22 and 2022/23, and
  - o 2% for the 'Adult Social Care' precept in 2020/21.
- e) Approves the planned application of earmarked reserves as detailed in Section 6, Para 6.4.2
- f) Approves the Fees and Charges for 2020/21 and those relating to Registration of Births, Death & Marriages also shown for 2021/22, as set out in the Fees & Charges booklet.
- g) Delegates authority jointly to each Corporate Director in consultation with the Corporate Director of Finance and Systems to amend fees and charges during 2020/21 in the event of any change in VAT rate, as appropriate.
- h) Delegates authority jointly to each Corporate Director in consultation with the Corporate Director of Finance and Systems to amend fees and charges during 2020/21 where the economics of the charge levels have changed (e.g. costs have risen unexpectedly), or for commercial reasons.
- i) Approves the proposal to maintain the minimum level of General Reserve for 2020/21 at £7.0m, the same level as in 2019/20 (Section 6.6).
- j) Approves the Capital Strategy, Prudential and Local Indicators and overall level of the Capital Programme and Asset Investment Fund of £368.72m (as detailed in the Capital Strategy, Capital Programme & Prudential Indicators 2020/23) of which £262.11m relates to 2020/21; including the proposal in relation to £106.92 million of new prudential borrowing.
- k) Approves the Treasury Management Strategy 2020/21 to 2022/23, including the debt strategy (Section 3), the Treasury Investment Strategy (Section 5) and the Prudential Indicators, including the Authorised Limit (as required by Section 3(1) of the Local Government Act 2003, Operational Boundary, Minimum Revenue Provision and investment criteria as set out in Appendix 3 of the report.

- l) Approves the proposed distribution of Dedicated Schools Grant as recommended by the School Funding Forum and Executive as summarised in Section 8 and detailed in Annex J.

**and confirms that in recommending approval of the above, it has taken into consideration :**

- m) The objective assessment by the Corporate Director of Finance and Systems of the robustness of budget estimates and adequacy of the financial reserves (Section 6 and Annex I).
- n) The Executive's response to the Scrutiny Committee's recommendations to the budget proposals as included in a separate report on the agenda.
- o) The Council's Public Sector Equality duty.
- p) The results of the consultation on the budget proposals where required.

**In addition, Executive recommends that Council notes the following :**

- q) The approval on 18 January 2020 under delegated powers by the Corporate Director of Finance and Systems of the Council Tax Base for 2020/21 at 77,386 Band D equivalents.
- r) the calculation of the estimated Council Tax surplus, sufficient to release £(1.216)million to support the Council's 2020/21 revenue budget and a distribution of £(180)k and £(70)k representing the respective shares of the Mayoral Police and Crime Commissioner Precept and Mayoral General Precept (including Fire Services).
- s) The base budget assumptions as set out in the Medium Term Financial Strategy (MTFS) as detailed in Annex A.
- t) The budget gap for the two years 2021/22, £15.01m and 2022/23, £5.66m.
- u) That the Capital Programme for 2020/21, 2021/22 and 2022/23 is to be set at an indicative £262.11m, £60.37m and £46.24m respectively (indicative at this stage as a number of capital grants not yet known).
- v) That the Council Tax figures included in the report for the Mayoral Police and Crime Commissioner Precept and Mayoral General Precept (including Fire Services) are the recommended provisional amounts pending their formal approval.

**Contact person for access to background papers and further information:**

Name: Councillor Tom Ross, Executive Member for Finance and Investment  
Nikki Bishop, Corporate Director of Finance and Systems  
Extension: 4884

**Background Papers – None**

**Implications:**

|   |   |
|---|---|
| Relationship to Policy Framework/Corporate Priorities | Value for Money.<br>The proposed budget for 2020/21 supports all key priorities and policies.   |
| Financial   | The report sets out the proposed budget for 2020/21, allocating available resource across service objective heads as detailed in Annex H of the report.   |
| Legal Implications:                                   | It is a statutory requirement for the Council to set and approve a balanced, robust budget and Council Tax level.<br>Budget proposals take account of various legislative changes as they affect Council services.<br>If the budget for a directorate is to be exceeded, which will result in a call on reserves, the Executive will need to identify the impact on reserves and when they will be replenished. |
| Equality/Diversity Implications                       | The Council has complied with the requirements of its Public Sector Equality Duty.<br>Measures have been subject to equality impact assessments where necessary.  |
| Sustainability Implications                           | There are a number of measures throughout these budget papers which support the Council's ambition of becoming carbon neutral by 2038.  |
| Resource Implications e.g. Staffing / ICT / Assets    | Human Resources – statutory processes have been complied with during the course of these budget proposals in respect of staffing implications where they apply.   |
| Risk Management Implications                          | The risks associated with the budget proposal have been considered.   |
| Health and Wellbeing Implications                     | Equality Impact Assessments have been carried out where appropriate. The Council is directed to have regard to its Public Sector Equality Duty in reaching its decision.  |
| Health and Safety Implications                        | The health and safety implications of the budget proposal have been considered.   |



### **Other Options**

The Executive is recommending an overall increase to the level of council tax of 3.99% in 2020/21 comprising the increase of 2% for the 'adult social care precept' to be earmarked for adult social care expenditure and 1.99% general increase in the 'relevant basic amount'.

An alternative option is not to increase council tax but there would be insufficient funding to pay for the Council's services in 2020/21. If this option were pursued then further savings of £3.98 million would need to be identified over and above the significant level of savings already included in this budget report. Alternatively a decision could be made to increase its 'relevant basic amount of council tax' above the levels proposed in this report, however this would exceed the referendum limits, which would mean a local referendum was required.

The use of reserves has been reviewed (See Section 6) and an appropriate amount has been assessed for release to support these budget proposals whilst still maintaining a prudent level of reserves to manage any unforeseen risks. Any further use of reserves is not recommended as it does not provide a sustainable means of balancing the budget.

### **Consultation**

None of the proposals in the budget report have required public consultation.

### **The Public Sector Equality Duty**

The Equality Act 2010 requires public authorities to have regard to the Public Sector Equality Duty in making any decision. The public sector equality duty requires public authorities to consider the needs of people who are disadvantaged or suffer inequality when making decisions regarding its service provision and policies.

People who have certain protected characteristics are protected under the Equality Act 2010. The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The legislation requires that, when carrying out its functions, a public authority must have due regard to:

- The elimination of unlawful discrimination;
- The advancement of equality of opportunity between people who have protected characteristics and those that do not; and
- The fostering or encouragement of good relations between people who share a protected characteristic and those who do not.

In considering the report and deciding whether to propose the recommendations to Council the Executive is required to have regard to the Public Sector Equality Duty. In order to satisfy this duty the Executive must consider whether the proposals are likely to discriminate against or disadvantage persons who have protected characteristics as set out above; whether there are mitigation measures which would offset any such impacts which are identified; or whether countervailing factors, namely the significant budgetary pressures facing the Council and the need to make improvements and efficiencies to the services concerned are considered to provide justification for the measures proposed. Where appropriate and necessary Equality

Impact Assessments of the proposals have been carried out and these are available to members to assist them in the evaluation of the proposals in the context of the Public Sector Equality Duty.

**Reasons for Recommendation**

To enable the Council to set a Budget Requirement and Council Tax level for 2020/21. The reasons for these recommendations are to deliver a balanced budget for 2020/21 in relation to the proposals set out in this report, whilst having due regard for equality impact and risk mitigation.

**Key Decision**

This is a key decision currently on the Forward Plan: Yes

**Finance Officer Clearance** .....GB.....

**Legal Officer Clearance** ...DS.....

**CORPORATE DIRECTOR'S SIGNATURE**



To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.



**TRAFFORD**  
**COUNCIL**

**Executive's  
Revenue Budget  
Proposals 2020/21 &  
2021/22-2022/23 Medium  
Term Financial Strategy**

**19 February 2020**

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**FOREWORD by the EXECUTIVE MEMBER for FINANCE and INVESTMENT  
COUNCILLOR TOM ROSS**

I am pleased to present the Council's budget report for the period 2020/21 to 2022/23 which sets out our spending priorities across the revenue budget, capital programme and the Dedicated Schools Grant (DSG) budgets.

Setting local authority budgets is no easy task, particularly following ten years of funding reductions. Since 2010 savings of £145m have been made to council services which have placed an immense strain on our ability to provide those services within Trafford which our residents and communities deserve.

It is important to acknowledge that the UK Government in May 2010 projected a budget balance by 2015/16 as a result of their flagship austerity policy; a policy that has had a significant impact on local government finances. The Government austerity measures failed to achieve this outcome and local government does, and is projected to, face further spending pressures over the next three years.

Politicising an economic crisis, as happened following the global financial crisis, has consequences. The consequences include the cuts to services we have witnessed over the past decade and growing demand pressures. As I write, the Council is also exposed to the uncertainty and consequences of Brexit, which could have serious consequences on our revenue. This is further compounded when considering Trafford's expenditure on services is the lowest of any metropolitan district which limits our flexibility to address further cuts in funding.

Where it can the Council endeavours to spend resources locally and in 2018/19 49%, equivalent to £87m of our controllable expenditure, was spent within Trafford and I would like to thank colleagues at STaR Procurement for their work on promoting local spend.

We are also facing significantly increasing demands on our services, particularly adults and children's social care. Our population is projected to increase by around 10% to 260,000 over the next twenty years, a slightly higher rate of increase than the national projection of 9%. Reflecting the national trend, the highest rates of population growth will be seen within the older age groups. The number of people aged 65 and over is projected to increase by 42%, whilst those aged 85 and over will increase by 72% bringing even greater challenges to the health and social care system. This coupled with a growth in the number of children in care and those with special educational needs, places a great strain on this area of the budget which accounts for over half of our net expenditure.

In May 2019 we received the results of an Ofsted inspection of Children's Services and this has led to additional investment into the service in the current year to address issues arising from the report.

In the summer a Ministry of Housing, Communities and Local Government Select Committee produced a timely report on the current state of local government finance, given the impact caused by the previous years of the austerity budgets, ahead of the Spending Round announcement on 4 September 2019. This, despite only covering one year with the exception of school funding, announced some much needed support for local government, including £1bn of new social care grant

funding and £500m from a social care precept, together with £700m for special educational needs provision. Whilst the Council's estimated share of the former will only go part way to meet our rising cost pressure it comes as a welcome measure to help balance our budget plans.

The Spending Round also announced the deferral until 2021/22 of the implementation of the Fair Funding Review, which will be used as the basis of distribution of local government resources nationally, and the reset of the business rate retention scheme; the latter being good news for the Council for 2020/21 particularly in view of the announcement to continue with the Greater Manchester 100% business rate retention pilot. Unfortunately this will mean there will be significant budget pressure in 2021/22 following the business rate reset due to the level of revenue from business rate growth in previous years which supports the budget currently. We eagerly await details of the new distribution and transitional arrangements; the latter being highly relevant to the Council given the significant reduction in funding it will suffer from a full reset of the business rate system.

The Local Government Provisional Settlement was announced on 20 December 2019 and reiterated the forecasts within the Spending Round, albeit with some disappointing news on the New Homes Bonus grant.

We expect a number of key announcements from Government during 2020, a number of issues which will have a direct and significant impact on the budget. The national Spending Review, expected in the summer will hopefully signal some reliable multi-year forecasts for local government which should help us plan the budget with more certainty. We also await the promised update on fair funding and the reset of the business rate system together with an update on the future of social care which should offer some solutions for our social care services and how they can be afforded in the future.

Over summer 2019 the Executive and Corporate Leadership Team developed a new Corporate Plan which describes the Council's vision and priorities for the borough and provides the framework for our financial strategy. In setting the budget close attention is placed on ensuring it aligns closely with the Council's priorities which in turn will help delivery of the Council's vision:

***“Working together to build the best future for all our communities and everyone in Trafford”***

We believe the seven strategic priorities are key to enabling Trafford residents, businesses and staff to thrive. Our priorities set out our aspirations for our people, place and communities, and how they can affect and improve their daily lives. Our people are our greatest resource. Through engagement with our staff we will create an environment for staff to grow and develop life-long skills and see the benefit of their contribution to the borough. These priorities are not just for the Council but for the whole community and have been shared with members of the Trafford Partnerships. In order to make the difference we want to make, we will need to work closely and effectively with partners, residents, businesses and communities to make this a success.

The Council is on a journey to modernise the way we deliver services. We are aware of the increasing demands being put on council services across the country and we are no exception here at Trafford. Our customers have increasing expectations and they want a high quality service while we have to juggle these demands with less money. We have responded to these ongoing challenges by changing the way we do things, for example through collaborating with partners, improving efficiency and reducing spending where possible. However, we now need to do more if we want to be able to deliver our Corporate Plan and strategic priorities over the next three years and make Trafford a better place for everyone.

To help us achieve this we have started a programme of modernisation and remodelling of our services for the future. That means working smarter, collaborating with partners to help us deliver our corporate priorities, something we are already doing with the NHS locally through Trafford CCG, understanding the needs of our user groups in the long term and working with staff at all levels to tap into their expertise. Work is underway on our digital strategy and investing in new technologies that are available and this will continue as part of the modernisation approach.

We are talking to our staff about how they think we can improve the way we deliver services to meet the needs of a modern society - how we could be doing things differently and more effectively to help shape service areas for the next few years.

We are working closely with the CCG with the aim of delivering more integrated health and social care services and continue to utilise the Transformation Funding from government to deliver improved and more efficient services. During 2019/20, partners across Trafford have worked together to produce the Trafford Together Locality Plan which is our blueprint for the transformation of health and social care over the next 5 years and our response to the NHS Long Term Plan.

A number of workshops have been held on the budget, firstly to take stock of the overall budget position, the assumptions underpinning the financial forecasts and the extent of the funding gap over the next three years and then to develop proposals to address that gap.

Since the draft budget was presented to Executive on 14 October 2019 there have been a number of factors which have contributed to an overall increase in the budget gap for 2020/21 from £12.96m to £18.50m and over the next three years from £31.67m to £42.13m. This increase of £10.46m primarily relates to additional investment in Children's social care, increases to the cost of adult social care and increases to the National Living Wage.

There has been a full review of budget assumptions and review of inflationary pressures on pay, goods and services and contractual expenditure as well as including the implications of the Local Government Financial Settlement. The implications of the projected outturn for 2019/20 have also been considered together with full robustness review of the budget by the Corporate Director of Finance and Systems. The Council's Scrutiny Committee has also contributed positively to the budget process and reviewed the budget assumptions and proposals and we will continue to support the work of Scrutiny Committee during 2020/21.

| <b><i>Movement in Gross Budget Gap Draft to Final</i></b>           | <b>2020/21<br/>£'000</b> | <b>2021/22<br/>£'000</b> | <b>2022/23<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---|--------------------------|--------------------------|--------------------------|------------------------|
| <b>At Draft Budget</b>  | <b>12,956</b>            | <b>10,238</b>            | <b>8,471</b>             | <b>31,665</b>          |
| <b>Total Changes to Budget Assumptions (see Annex B for detail)</b> | 5,584                    | 2,085                    | 1,336                    | 9,005                  |
| <b>Changes to Funding</b>   |                          |                          |                          |                        |
| Changes to Council Tax (base and prior 19/20 estimated surplus)     | 226                      | 42                       | 15                       | 283                    |
| Impact of Fairer Funding assumptions                                | 0                        | 500                      | 500                      | 1,000                  |
| Changes to Business Rate provisional settlement                     | (267)                    | 446                      | 1                        | 180                    |
| <b>Total Changes to Funding (Non Policy Choice)</b>                 | <b>(41)</b>              | <b>988</b>               | <b>516</b>               | <b>1,463</b>           |
| <b>Revised Gross Budget Gap (Feb 2020)</b>                          | <b>18,499</b>            | <b>13,311</b>            | <b>10,323</b>            | <b>42,133</b>          |

It is the objective of the Executive to balance the budget in a way that minimises the impact on front line services and 2020/21 is no exception. The Asset Investment Strategy will continue to deliver crucial net revenue streams and these account for 50% of the overall savings and income proposals in 2020/21.

The 2020/21 revised gross budget gap of £18.50m has been met by a combination of the following:-

- Policy Choice Funding Increases amounting to £8.44m, comprising
  - Adult Social Care Precept of 2% to generate £2.00m
  - Increase in the basic rate of Council Tax of 1.99%, generating £1.97m
  - Application of Budget Support Reserve £4.47m
- Income generation and savings amounting to £10.06m, comprising:-
  - Income Generation of £6.12m
  - Service Delivery Savings of £3.94m

| <b><i>Summary of the Budget Proposals</i></b>                                 | <b>2020/21<br/>£'000</b> | <b>2021/22<br/>£'000</b> | <b>2022/23<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---|--------------------------|--------------------------|--------------------------|------------------------|
| <b>Revised Gross Budget Gap (Feb 20)</b>                                      | <b>18,499</b>            | <b>13,311</b>            | <b>10,323</b>            | <b>42,133</b>          |
| <b>Policy Choice Funding Proposals</b>  |                          |                          |                          |                        |
| Adult Social Care Precept increase 2%   | (2,000)                  | (2,188)                  | (2,327)                  | (6,515)                |
| General Increase in basic Council Tax to 1.99%                                | (1,978)                  | (1,986)                  | (2,083)                  | (6,047)                |
| Contribution from Budget Support Reserve                                      | (616)                    | 616                      | 0                        | 0                      |
| Contribution from Budget Support Reserve (Children's Invest to Save measures) | (3,850)                  | 3,850                    | 0                        | 0                      |
| <b>Total Policy Choice Funding</b>  | <b>(8,444)</b>           | <b>292</b>               | <b>(4,410)</b>           | <b>(12,562)</b>        |
| Savings and Income proposals  | <b>(10,055)</b>          | <b>1,408</b>             | <b>(255)</b>             | <b>(8,902)</b>         |
| <b>Revised Budget Gap (Feb 20)</b>  | <b>0</b>                 | <b>15,011</b>            | <b>5,658</b>             | <b>20,669</b>          |



Our budget plans for 2020/21 include for some significant levels of new investment, including within the revenue budget:-

- Additional funding for children's and adults social care £15.4m, (excluding grants and savings) with the major items including:-
  - a major invest to save initiative within Children's Services to help support our early help and prevention services £3.8m,
  - Additional investment in Public Health services of £1m to support more preventative interventions
  - Additional investment to support increases in the National Living Wage £2m
  - Demographic pressures £4.6m
  - Contractual and pay pressures £2.4m

The capital investment plans include proposals for some major new investment; these include in 2020/21:-

- Investment in school buildings of £15.0m
- Major highways and other key infrastructure improvements £14.9m
- Leisure centre developments £11.10m
- Targeted support to some of our most vulnerable residents £5.1m
- Provision of cycling and walking schemes £4.8m
- Outdoor sports, improvements to green spaces and tree planting £1.2m
- Public realm works in our town centres £4.3m
- Town centre and business loans £0.3m

In respect of climate change this will continue to be at the forefront of Council decision making and priorities to support the ambition of becoming carbon neutral by 2038. Whilst preparatory work has been undertaken by a task and finish group it is now time to push on and an action plan will be developed over coming months, supported by external experts, to understand and develop the plans we need to put in place with key stakeholders across the borough to address this target. There are a number of measures in this budget report which provide a start to this process including, substantial investment through the Mayor's Challenge Fund in new cycling and walking schemes and a significant investment in parks and open spaces including new tree planting schemes. There are also proposals to reduce the carbon emissions at Altrincham Crematorium through the introduction of two resomation cremators and further work will be undertaken to understand the business case and financial viability of these proposals.

The Council is undertaking an options appraisal of the One Trafford Partnership Contract with Amey following a report produced by the Council's Overview and Scrutiny Committee in February 2019. Executive has received update reports during 2019 and has recommended the continuation of discussions with Amey on the future operation of the contract, with particular emphasis on service improvement. A further update report will be provided to Executive early in 2020. It is assumed any changes approved by Executive from the options appraisal will be cost neutral on the Council's budget.

As part of this update I need to mention the comments of the Corporate Director of Finance and Systems on the robustness of these budget plans and Section 6 and Annex I provide more details. These identify a number of key risks and measures, particularly around the Reserves Strategy and the size of the remaining budget gap for 2021/22. The Council has recently received an update on the Financial Resilience Index from Cipfa and a notable risk continues to be the level of earmarked reserves, which are low in comparison to similar types of authority. In recent years the Council has successfully replenished reserves where possible and this has provided some resilience to the challenges ahead. Whilst the Spending Round in the autumn provided welcome relief in the form of additional social care grant and the ability of raising additional resources through a continuation of the social care precept these are only short term fixes. Government has promised to review and fix the social care system and we await with interest the outcome of such a review.

The proposals in this report still leave a budget gap of £15.01m in 2021/22 and sustainability of Council budgets remains a major risk. Even without having to contend with reductions to funding the Council is faced with annual expenditure pressures caused by cost of living increases in pay for our staff, contract prices and demography pressures in the region of £8m to £9m per year. The ability to pay for these services through an increase in council tax is limited and means that future sustainability is a major concern with these high level numbers implying that new savings to already stretched Council services will be required on an annual basis unless addressed by additional grant or changes to the future funding arrangements for social care as promised in a future green paper.

That said there are measures which will go some way to support the achievement of a balanced budget in later years. The continuation of the Asset Investment Strategy is also already providing invaluable revenue streams to support the budget; the proposals include for an increase to the current Fund which stands at £400m to £500m in order to provide headroom to allow the continuation of the Strategy, with particular focus on the regeneration of the Borough. The plans include significant invest to save measures in our Children's Services which are expected to increase the quality of services and lead to reduced demand and in later years, net budget savings. In addition the developing modernisation work will help in identifying potential measures capable of supporting the budget in future years.

Local government will continue to play a vital role in delivery of public services and in combatting the effects of austerity on the local community. With a budget gap for the following two years of £20.67m, the size of the challenge remains significant. This gap clearly indicates that the sustained austerity since 2010 is far from over and this is compounded with the impact of Brexit, lack of information on the future of social care funding and the reset of business rate baselines which add significant pressure and uncertainty in future years. For that reason the Council's Executive and Leadership Team will continue to work on developing further budget proposals during 2020/21 to meet this future financial challenge.

Councillor Tom Ross

Executive Member for Finance and Investment

## **1 BUDGET PROCESS 2020/21**

### **1.1 Budget Approach 2020/23**

1.1.2 To put the budget process into context it is useful to understand the size of the overall budget.

1.1.3 The gross revenue expenditure of the Council in 2019/20 is £472m and comprises:-

- Gross revenue budget £260m (£169.94m, net of specific grants and fees and charges income);
- Schools (Dedicated Schools Grant) £143m (excluding academy schools);
- Housing Benefits £69m.

1.1.4 In addition the Council has a capital programme of £263m in 2019/20 (including the Asset Investment Fund) which covers the cost of acquisition of new assets and major maintenance and improvements of the Borough's infrastructure.

1.1.5 In setting the budget close attention is placed on ensuring it aligns closely with the Council's corporate plan and priorities. At the heart of the Council's vision is a common cause to make Trafford a better borough; a place where everyone has a chance to succeed and where everybody has a voice. The Council knows it has to do things differently as it cannot do it all and, by virtue of its democratic mandate, will lead the way in ensuring that this is a shared endeavour and that across Trafford there will be a more joined up approach to service delivery. Through the new vision, it is making a commitment to work together across different services and agencies to make the best use of its resources.

***“Working together to build the best future for all our communities and everyone in Trafford”***

1.1.6 These are exciting times for Trafford and the vision aims to meet the opportunities and challenges that lie ahead. Over the next few years, this vision will be at the forefront of everything the Council does and aims to achieve.

1.1.7 Partnerships and collaboration will underpin the approach across Trafford and, using a place based approach, the Council will work together with partners to deliver co-ordinated support that empowers the individual, makes the most of its assets and focusses on prevention. It will start from a basis of what people can do, not from what they can't do. This will mean that it can achieve things it can't do alone and ensure that it keeps improving the lives of our residents.

1.1.8 The Council has identified seven strategic priorities that it believes are crucial to enabling Trafford residents, businesses and staff to thrive. These priorities set out the aspirations for our people, place and communities, and how they can affect and improve their daily lives.



### **Building Quality, Affordable and Social Housing**

Trafford has a choice of quality homes that people can afford



### **Health and Wellbeing**

Trafford residents health and Well-Being is improved and Reducing Health Inequalities



### **Successful and Thriving Places**

Trafford has successful and thriving town centres and communities



### **Children and Young People**

All Children and Young People in Trafford will have a fair Start



### **Pride in Our Area**

People in Trafford will take pride in their Local Area



### **Green and Connected**

Trafford will maximise its Green Spaces, Transport and Digital Connectivity



### **Targeted support**

People in Trafford will get support when they need it most

- 1.1.9 To deliver on the plan it is also necessary to develop the way we work given the ten years of austerity that the Council has been through and therefore during the latter part of 2019, the Council embarked on a Modernisation journey to improve the way we deliver our services by thinking differently and fundamentally reshaping the Council and its services. There is a need to work smarter, make use of digital technology and collaborate with partners where it can. The Council takes a leading role in shaping how joined up services across the sector can best support the local area and people and is continuously shaping our culture, practices, processes and business models to respond to people's changing needs and expectations. It is working to improve the way it delivers services to meet the needs of a modern Trafford and has been holding focus groups, workshops and ongoing discussions in recent months for staff and partners to input to and help determine the change projects that will be delivered in the future. This is being done so that by 2023:-

***the Council will be a people-focused, digitally enabled, commercially minded Council where our high-performing place based services will provide an excellent customer experience making the most of our assets in the borough.***

1.1.10 It is acknowledged that Council employees are its greatest resource. A significant cultural change programme is underway that has a strong focus on establishing a more strategic commercial and performance orientated culture. Equal weight is put on how things are done not just what is achieved and in order to achieve the vision and plan a number of key values have been co-produced with staff:-

- **EMPOWER** – We inspire and trust our people to deliver the best outcomes for our customers, communities and colleagues.
- **PEOPLE CENTRED** – We value all people, within and external to the organisation and give those around us respect. We will act with honesty and integrity in all that we do.
- **INCLUSIVE** – We are committed to creating an environment that values and respects the diversity and richness differences bring.
- **COLLABORATE** – We build relationships, collaborate; treat people as equal partners and work together to make things happens.

1.1.11 With this framework as the context, the budget proposals have been developed. Members of the Executive and the Corporate Leadership Team have held a number of budget workshops to review the overall budget position and to ensure it supports the delivery of outcomes related to each priority and have identified five key themes around which these budget proposals have been developed:-

- **Fundamentally Reshaping our Services** – through a series of service modernisation workshops with Council staff this will create a Council which is ready for the challenges of the future. This approach will bring different capabilities and experiences together from across the Council, which will increase resilience. Services will be digital by design, exploiting opportunities provided by existing and emerging technology to deliver significant efficiencies and be a better experience.
- **Be More Commercially Minded** – To maximise commercial opportunities by continuing the investment strategy. Fundamental to Trafford is the Traded Services offer and this will be reviewed to ensure it meets customers future needs. This will also provide for a mixed economy of service provision and regularly test the market to ensure value for money.
- **Delivering More of Our Own Services** – To ensure the Council continually maximises the Trafford Pound, making sure that the services delivered are efficient and effective.

- **Health and Social Care Integration** - Using a place based approach, the Council will work together with partners, to deliver co-ordinated support that empowers the individual, makes the most of its assets and focusses on prevention. The focus will be on what people can do to support themselves, not on what they can't do, meaning more can be achieved by working in partnership to improve the lives our residents. Aspirations are to develop the existing partnership arrangements, focussing on strong neighbourhoods recognising the differing needs and treating each community equally.
- **Other Corporate Efficiencies** – Will be achieved by continually challenging activity to improve performance, reduce costs, invest for the future and generate income to ensure long term sustainability.

1.1.12 These priorities will be refreshed during 2020 to incorporate the Council's ambition to be carbon neutral by 2038.

1.1.13 A full review of all assumptions used in developing the budget plans has been undertaken, to ensure they are still relevant and up to date, including a review of all continuing savings programmes. In developing the budget proposals the Executive has continued to focus on the creation of new income into the Council in order to avoid the equivalent amount having to be found from service budgets and thereby minimise adverse impacts on residents and businesses.

1.1.14 Both the revenue budget and capital programme have been developed to ensure they clearly support the delivery of outcomes related to each priority.

1.1.15 The draft budget for 2020/21 was agreed by the Executive on 14th October 2019 and set out the overall approach to the budget to address a budget gap of £31.67m in the revenue budget over the next three years, of which £12.96m related to 2020/21.

1.1.16 At draft budget in October 2019 a number of income generation and proposals and savings totalling £7.66m were identified and assumptions were made on increases to the rate of council tax. At that stage a budget gap of £0.72m remained in 2020/21.

| <b>Table 1: Budget Gap Oct 19</b>   | <b>2020/21<br/>£000's</b> | <b>2021/22<br/>£000's</b> | <b>2022/23<br/>£000's</b> | <b>Total<br/>£000's</b> |
|---|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Gross Budget Gap before Feb 19 Savings and Policy Choice Funding Proposals</b> | <b>28,496</b>             | <b>6,735</b>              | <b>0</b>                  | <b>35,231</b>           |
| <b>Budget Updates at Draft (Oct 19)</b>   |                           |                           |                           |                         |
| Changes to Budget Assumptions   | (3,348)                   | 743                       | 8,863                     | 6,258                   |
| Changes to Funding  | (12,192)                  | 2,760                     | (392)                     | (9,824)                 |
| <b>Revised Gross Budget Gap (Oct 19)</b>  | <b>12,956</b>             | <b>10,238</b>             | <b>8,471</b>              | <b>31,665</b>           |
| <b>Policy Choice Funding Proposals</b>  |                           |                           |                           |                         |

|  |                |                |                |                 |
|--|----------------|----------------|----------------|-----------------|
| Adult Social Care Precept increase 2%  | (2,010)        | (2,188)        | (2,327)        | (6,525)         |
| General Increase in basic Council Tax to 1.99% (subject to referendum level) | (1,968)        | (1,986)        | (2,083)        | (6,037)         |
| Contribution from Budget Support Reserve                                     | (600)          | 600            | 0              | 0               |
| <b>Total Policy Choice Funding</b>   | <b>(4,578)</b> | <b>(3,574)</b> | <b>(4,410)</b> | <b>(12,562)</b> |
| Savings and Income proposals   | (7,658)        | 3,242          | 1,290          | (3,126)         |
| <b>Revised Budget Gap (Oct 19)</b>   | <b>720</b>     | <b>9,906</b>   | <b>5,351</b>   | <b>15,977</b>   |

1.1.17 Since the draft budget which was approved by the Executive on 14th October 2019 there have been a number of factors which have impacted on the overall budgetary position and are updated in this report:-

- **Section 2** – Review of the Financial Background for Local Government, including the Provisional Local Government Finance Settlement
- **Section 3** – Review of the current year budget monitoring position
- **Section 4** – Budget Update including the changes to the budget pressures and funding assumptions since draft budget and how the budget gap is met for 2020/21
- **Section 5** – Proposed Budget 2020/21 – 2022/23
- **Section 6** – Budget robustness and review of risks and update on the planned application of reserves
- **Sections 7 and 8** - An update on the Investment Strategy and School Budgets
- **Section 9** – Council Tax Requirement and Statutory Calculations

## 1.2 Consultation

1.2.1 In order to assist the evaluation of the budget proposals and to ensure that the Council is sufficiently informed to enable it to meet its duties under the Equality Act, a number of Equality Impact Assessments (EIAs) have been carried out to ensure that due consideration was given to those with the protected characteristics and to identify the likely impact of the proposals on each of these groups for the savings measures included in the report.

1.2.2 The Council has not had to undertake public consultation on any of these budget proposals but targeted and specific consultation has been undertaken where relevant.

1.2.3 None of the proposals included in the report have a direct impact on staff to require any formal consultation.

## 1.3 Scrutiny Review

1.3.1 The Scrutiny process for the budget was undertaken across three different sessions:-

- Stage 1 - Review of the MTFP, budget assumptions and budget gap at the draft budget stage together with a review of budget proposals (13 November 2019)
  - Stage 2 – Two further sessions were held on 3 and 5 December 2019 to provide background information on the budget proposals and to answer Scrutiny Members' questions.
- 1.3.2 All sessions were attended by relevant Executive Members and senior officers to give background to the budget proposals and answer questions.
- 1.3.3 Scrutiny Committee comments were submitted to the Executive on 27 January 2020 in the 'Overview and Scrutiny Review of the Executive's Draft Budget Proposals for 2020/21' report.
- 1.3.4 The Committee welcomed the balanced budget proposals for 2020/21 and were satisfied with the Council's plans for the year ahead. There were a number of areas where they would like further information and assurance and these areas have been identified for follow up during 2020/21, including:-
- Investment Management Strategy
  - Council Reserves
  - Breaking Down Silos
  - Service Transformation
  - Accommodation
  - Early Intervention and Prevention
  - Commissioning
  - Demand Led Services
- 1.3.5 The Executive's response to the Scrutiny Committee issues and recommendations can be found in a separate report on the Executive agenda.



## 2 FINANCIAL BACKGROUND

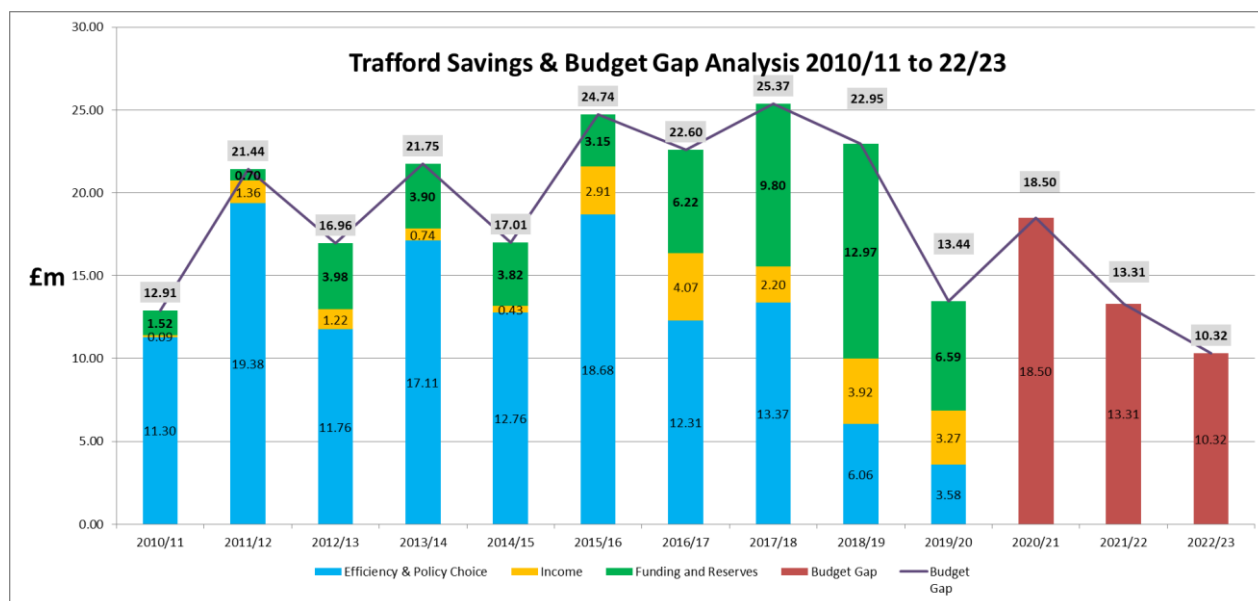
### 2.1 Background

2.1.1 Since 2010 the Government has reduced the funding for Local Government as part of its efforts to reduce the fiscal deficit by 29% from £28.1bn in 2010/11 to £19.8bn in 2020/21.

2.1.2 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; 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.

2.1.3 In recent years Government has provided some extra funding for social care by way of specific grant and combined with the introduction of the adult social care precept this has meant that the rates of reduction to overall funding have levelled since 2016/17.

2.1.4 This has meant that by 2020/21 the total value of budget gaps caused by the expenditure pressures and funding reductions since 2010/11 to 2019/20 is £199.1m. There is a further forecast gap for the next three years of £42.13m, of which £18.50m relates to 2020/21.



### 2.2 Spending Round 2020/21

2.2.1 The Chancellor announced the spending round on 4 September 2019 which included headline numbers for government departmental spending for 2020/21 and indicative three year allocations for schools. Whilst the plans provide local government with some useful numbers on which it can plan for 2020/21 they do not give any certainty in the medium term with a fuller spending review promised to be made later in 2020 when a multi-year spending review is expected to be announced.

2.2.2 The main headlines announced in the spending round included:

- Departmental spending to increase by 4.4% in real terms, whilst keeping within the government's fiscal rules.
- Social Care Grants that local authorities received in 2019/20 will continue in 2020/21
- An additional £1bn of grant funding will be distributed for social care in 2020/21 plus a further 2% adult social care precept (estimated £500m).
- A real-terms increase in the Public Health Grant and an inflationary increase in Revenue Support Grant.
- Authorities will be able to increase the Band D council tax up to 2% for the basic element and a further 2% for the Adult Social Care precept.

2.2.3 The outcome of consultation is still awaited on the basis of distribution of the additional social care grant although it is expected this will equate to additional social care funding of £5.175m in 2020/21 which will go some way to alleviate the spending pressures in this area. In addition the indexation of public health and revenue support grant is estimated to provide a further £451k of funding.

2.2.4 The Spending Round also announced a three year funding settlement for schools, High Needs and Early Years children. Nationally, additional funding provided will be £2.6bn in 2020/21, £4.8bn in 2021/22 rising to £7.1bn in 2022/23. It confirmed:

- An increase in per pupil funding for all schools in line with inflation in 2020/21 (1.8%) with a minimum per pupil amount of £3,750 for primary schools and £5,000 for secondary schools.
- Minimum rate per pupil for primary schools rising to £4,000 in 2021/22.
- Additional funding of £700m in 2020/21 for children with special educational needs
- Additional funding of £66m for Early Years
- Additional funding of £400m in 2020/21 for Further Education
- Confirmation that the government will continue to cover additional teachers pensions costs for schools
- Commitment to move towards a hard National Funding Formula for schools as soon as practical

2.2.5 **Fair Funding** - The Ministry of Housing, Communities and Local Government (MHCLG) has announced a delay in the fair funding review for local government, which will include a complete review of the relative needs and funding required by different councils to fund their services. The new methodology will now be effective from 2021/22.

2.2.6 **Business Rates** – Since 2017/18 Trafford has been part of the Greater Manchester 100% Business Rate Retention pilot and currently benefits from a significant level of business rate funding and growth to support its budget. An

announcement following the Spending Round has confirmed that the Pilot will continue in 2020/21 to the benefit of Trafford and the Greater Manchester area and that the full reset of business rates baselines, originally expected for 2020/21, being postponed until 2021/22. This is positive news for Trafford as any reset will put at risk the majority of the benefit the Council currently receives from business rates growth rewards. This potential reduction is factored into these projections from 2021/22.

2.2.7 The overall benefit from business rates growth supporting the Council's 2020/21 budget is £11.35m as detailed in Annex C.

2.2.8 However, there still remains uncertainty over the level of funding that will be available from 2021 due to the reset to business rate baselines and a redistribution of funding formula and the overall reserves strategy as outlined in these budget proposals recognises this risk.

### **2.3 Local Government Provisional Finance Settlement**

2.3.1 The 2020/21 Local Government Finance Settlement was announced on 20th December 2019. The headline funding measure used is called the Core Spending Power (CSP) which includes all the key funding streams available to a local authority including:-

- Settlement Funding Assessment (SFA) (Retained business rate baseline and Revenue Support Grant)
- Section 31 compensation grants for business rate initiatives
- Council tax income
- Improved Better Care Fund
- Adult Social Care Support Grant
- New Homes Bonus
- Rural Services Delivery Grant
- Social Care Grant

2.3.2 CSP will increase from £46.213bn to £49.142bn (6.34%) or a headline rate of 4.4%, after taking account of inflation, between 2019/20 and 2020/21.

2.3.3 For Trafford the movement in core spending power is as follows:-

| <b>Table 2: Core Spending Power</b> | <b>2019/20<br/>£m</b> | <b>2020/21<br/>£m</b> |
|-------------------------------------|-----------------------|-----------------------|
| Settlement Funding Assessment       | 41.133                | 41.803                |
| Section 31 BR compensation grants   | 1.168                 | 1.460                 |
| Council Tax                         | 99.500                | 104.988               |
| Improved Better Care Fund (**)      | 7.037                 | 7.983                 |
| New Homes Bonus                     | 1.724                 | 1.312                 |
| Rural Services Delivery Grant       | 0                     | 0                     |
| Transition Grant                    | 0                     | 0                     |
| Social Care Support Grant (*)       | 1.616                 | 0                     |
| Winter Pressures Grant (**)         | 0.946                 | 0                     |
| Social Care Grant (*)               | 0                     | 5.458                 |
| <b>Total</b>                        | <b>153.123</b>        | <b>163.003</b>        |
|                                     |                       |                       |
| <b>% Increase</b>                   |                       | <b>6.45%</b>          |

\* The Social Care Support Grant for 2019/20 has been rolled in to the Social Care Grant along with the additional £1bn of new resource for 2020/21 giving Trafford a total Social Care Grant of £5.458m

\*\* The Winter Pressures Grant for 2019/20 of £0.946m has been rolled in to the Improved Better Care Fund in 2020/21

2.3.4 The increase for Trafford (6.45%) was slightly higher than the national average (6.34%) due to the increase in specific social care grants.

2.3.5 The Settlement confirmed the one year extension of the previous spending review with an inflationary increase in Revenue Support Grant (RSG) as detailed in the table below. This shows an increase in Revenue Support Grant, a component of SFA in the table above, of £0.085m, which impacts on the level of baseline funding retained by the Council (See Annex C). Since 2016/17 RSG has fallen by 77% from £22.989m to £5.385m.

2.3.6 At a headline level the provisional settlement reiterated the figures highlighted from the September spending round, however with the following changes:-

- New Homes Bonus £1.3m which is £0.4m worse than expected at the draft budget
- Minor inflationary adjustments on Business Rates worth £0.3m benefit
- Further consideration of the real terms increase in Public Health Grant will be clarified at Final Settlement. Our budget assumptions continue

to assume the real terms increase of +1% above inflation, as indicated in the September spending round.

- Confirmation of the continuation of Homelessness and Troubled Families funding in 2020/21.

2.3.7 The final settlement was announced on 6 February 2020 and confirmed the allocations announced at provisional settlement.

## **2.4 Council Tax**

2.4.1 Whilst Council Tax in Trafford remains one of the lowest in the country and the second lowest in Greater Manchester, council tax revenues have in the past offered a fairly buoyant source of income due in part to the growth in the tax base. However the level of growth has been scaled back in our budget assumptions for 2020/21, in comparison with previous years, largely due to an increase in the percentage of new properties attracting single occupancy discounts. Tax base growth has been assumed at 0.5% for 2020/21, however it is forecast to increase at 1% in future years to reflect our investment in public realm which is expected to have the twin benefits of attracting more business whilst also making our town centres attractive places to live.

2.4.2 Taking these factors into consideration the Corporate Director of Finance and Systems, in accordance with her delegated powers, has approved a Tax Base of 77,386 Band D properties for 2020/21, an increase of 387 from 2019/20. The forward plans have an expectation of growth in council tax base of 0.5% for 2020/21 and 1.0% in each of 2021/22 and 2022/23.

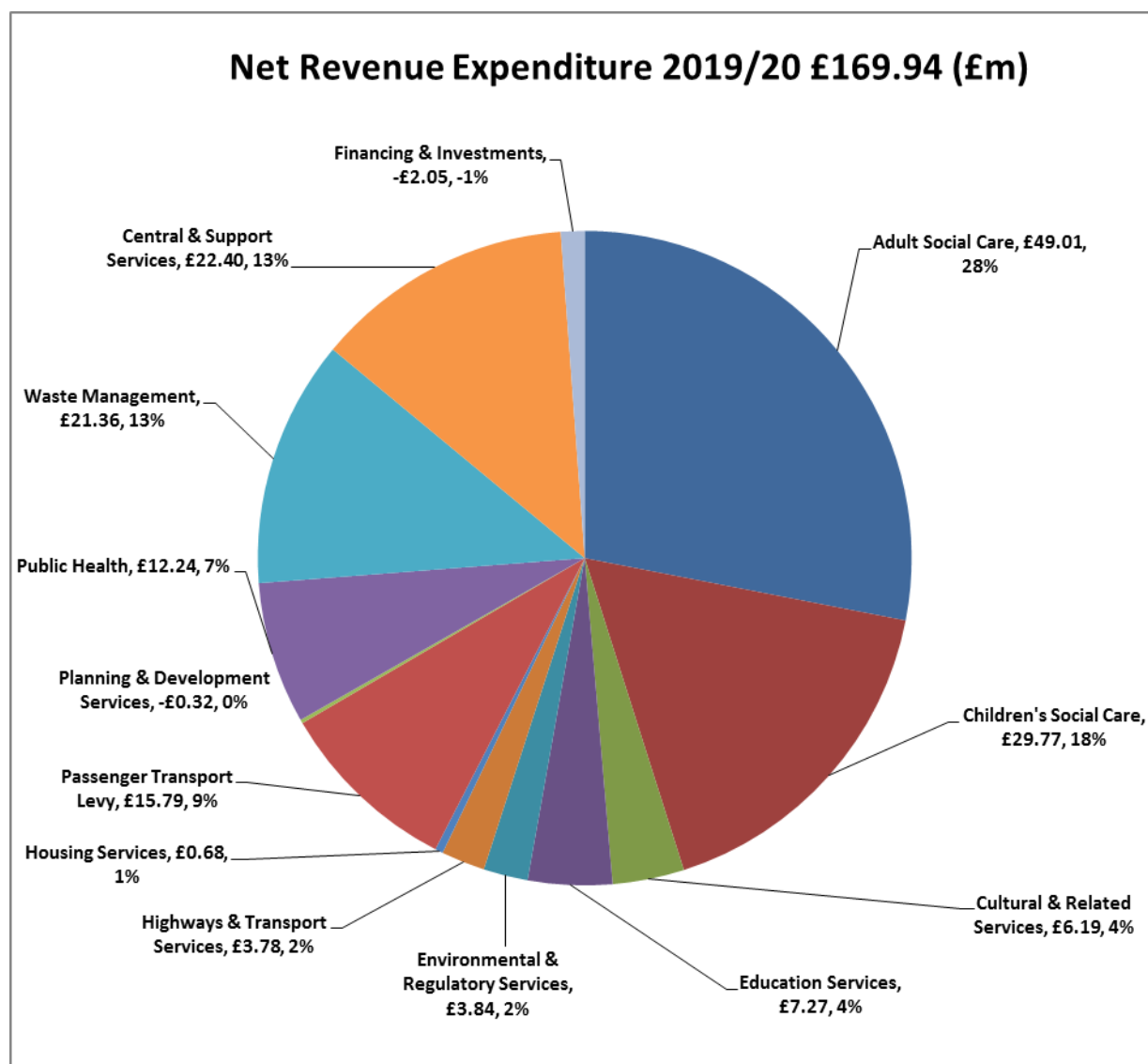
## **2.5 Summary**

2.5.1 The Spending Round, coupled with the deferral of the fair funding review and reset of the business rate retention system, have provided some positive respite against the funding reductions encountered over the last ten years. Whilst they provide positive support for the budget for 2020/21 the impact of the business rate reset now planned for 2021/22 will reduce business rate funding by approximately £11m. This reduction in funding, together with an assumption around a government transitional protection scheme and growth in business rates post reset have been factored into the projections contained in this budget report.

### 3 2019/20 BASE BUDGET & MONITORING POSITION as at PERIOD 8 (November 19)

#### 3.1 Base Budget 2019/20

3.1.1 The Council's current gross budget for 2019/20 is £478.25m however this includes specific funding of Dedicated Schools Grant and Housing Benefit. The Council's net controllable budget agreed by Council in February 2019 was £169.94m.



#### 3.2 Revenue Budget Monitoring 2019/20 Period 8 (November 2019)

3.2.1. Delivery of the 2019/20 budget is critical to ensure that budget forecasting for future years can be done on a sound basis. The period 8 (November 2019) revenue budget monitoring report forecasts an underspend of £650k as follows:

| <b>Table 3: Budget Monitoring results by Service</b> | <b>2019/20 Budget (£000's)</b> | <b>Forecast Outturn (£000's)</b> | <b>Forecast Variance (£000's)</b> | <b>Percentage</b> |
|--|--------------------------------|----------------------------------|-----------------------------------|-------------------|
| Children's Services                                  | 36,057                         | 37,622                           | 1,565                             | 4.3%              |
| Adult Services                                       | 48,772                         | 50,285                           | 1,513                             | 3.1%              |
| Public Health  | 11,778                         | 12,417                           | 639                               | 5.4%              |
| Place  | 34,862                         | 35,385                           | 523                               | 1.5%              |
| People   | 3,189                          | 3,249                            | 60                                | 1.9%              |
| Finance & Systems                                    | 7,535                          | 7,449                            | (86)                              | (1.1)%            |
| Governance & Community Strategy                      | 7,852                          | 7,804                            | (48)                              | (0.6)%            |
| <b>Total Directorate Budgets</b>                     | <b>150,045</b>                 | <b>154,211</b>                   | <b>4,166</b>                      | <b>2.8%</b>       |
| Council-wide budgets                                 | 19,892                         | 15,076                           | (4,816)                           | (24.2)%           |
| <b>Net Service Expenditure variance</b>              | <b>169,937</b>                 | <b>169,287</b>                   | <b>(650)</b>                      | <b>(0.4)%</b>     |
|  |                                |                                  |                                   |                   |
| <b>Funding</b>                                       |                                |                                  |                                   |                   |
| Business Rates (see para. 20)                        | (66,489)                       | (66,489)                         |                                   |                   |
| Council Tax (see para. 16)                           | (99,500)                       | (99,500)                         |                                   |                   |
| Reserves   | (2,624)                        | (2,624)                          |                                   |                   |
| Collection Fund surplus                              | (1,324)                        | (1,324)                          |                                   |                   |
| <b>Funding variance</b>                              | <b>(169,937)</b>               | <b>(169,937)</b>                 | <b>0</b>                          | <b>0.0%</b>       |
|  |                                |                                  |                                   |                   |
| <b>Net Revenue Outturn variance</b>                  | <b>0</b>                       | <b>(650)</b>                     | <b>(650)</b>                      | <b>(0.4)%</b>     |
| <b>Dedicated Schools Grant</b>                       | <b>133,960</b>                 | <b>133,989</b>                   | <b>29</b>                         | <b>0.0%</b>       |

3.2.2. The current in-year variations contain a number of items with those notable items listed below which has been considered in determining the budget proposals for 2020/21:

- **Children's Services** – there are a number of pressures in the current year including the response to the recent Ofsted inspection which has led to additional investment into certain aspects of the service, the continuing rise in demand and increasing cost of children's placements and home to school transport and a rise in staffing costs due to a policy of reducing the caseloads of individual social workers.
- **Adult Services** – whilst the Service is managing to maintain client numbers, the cost of individual care is placing a strain on in-year budgets caused by an increase in costs due to market conditions and also client complexity. Cost pressures are also being encountered on Public Health Community Services and the service continues to strive to undertake measures in-year to control expenditure in this area.
- **Place** – staff vacancies are helping to offset a downturn in a number of income streams, most notably some town centre ground rent income.

- **Central Services** (People, Finance and Systems and Governance and Community Strategy) – historically these service areas have helped mitigate the pressures in the demand-led services due to various savings in staffing costs due to staff turnover and additional income but pressure is being felt in these areas.
- **Council-wide budgets** – additional income from the Investment Strategy, dividend from Manchester Airport Group and a release of some contingency budgets have helped mitigate the in-year monitoring position.

3.2.3. Despite continuing efforts to control expenditure the Council is still seeing an increase in expenditure in social care caused by rising demand and cost of care. Amounts of £7.2m and £8.2m in children and adult social care respectively have been added to the budget in 2020/21; well in excess of the new resources made available by government.

3.2.4. These items above have been considered in developing the budget proposals for 2020/21 and later years.



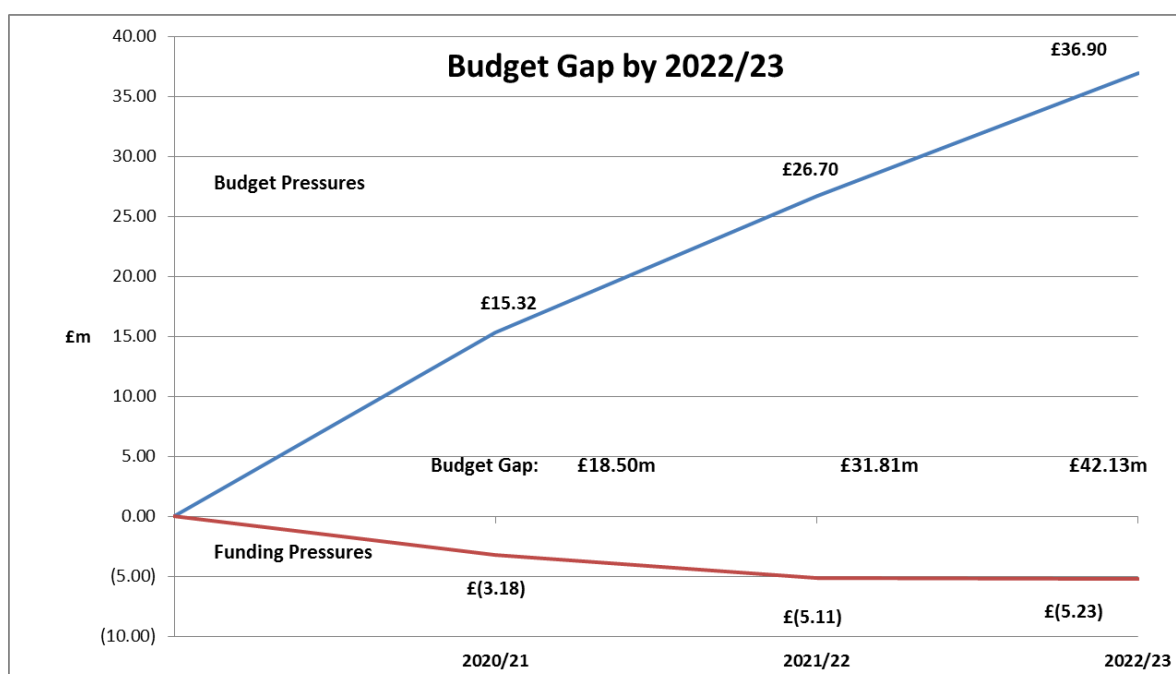
## 4 BUDGET UPDATES 2020/21 and MTFS 2021/23

4.1 This section identifies:-

- The overall budget gap for 2020/21 and later years and explains the changes since the draft budget was published in October 2019;
- How the budget gap has been closed for 2020/21.

### 4.2 Updated Annual Funding Position

4.2.1. The MTFS position reported to the Executive in the October 2019 Draft Budget report showed an overall budget gap for 2020/21 to 2022/23 of £31.67m, however due to the additional investment in Children's and Adult Services, the release of the provisional 2020/21 Local Government Finance Settlement, and updates to policies, assumptions and estimates, the budget gap for the three years has now increased by £10.46m to £42.13m, as shown in the chart below:



### 4.3 Updated Cost Pressures, Investment and Funding Summary

#### 4.3.1. Budget Pressures: £36.90m

- An overall increase in cost pressures of £36.90m over the next three years, an increase of £9.0m since the draft budget, the main features are detailed below with a summary of the base budget assumptions shown in Annex A:

- Pay: includes a core provision for a 2.0% pay award. An impact of £5.13m over three years; an increase of £390k since draft budget.
- Living Wage: an allowance of £5.23m over the next three years has been provided, which covers projected increases in pay, for external care staff, based on the National Living Wage. This represents an increase of £0.69m since draft.
- Inflation: relates to non-staffing budgets and had included a general allowance of 2% per annum over the three years. A review of our inflation assumptions in 2020/21 will require inflation to be absorbed within existing budgets. However, a figure of £0.41m has been included for the subsequent two years. Other contractual inflation has been assumed totalling £6.62m over the next three years. No change since draft.
- Levies: a reduction of £0.21m over three years, including £1.02m since draft, largely from a reduction in the waste disposal levy. A local authority contribution may be required following the outcomes of the consultation on the proposed bus reforms. On the basis of the above Trafford Council's share would be £1.5m. An earmarked reserve has been established in our budget proposals and will be drawn down during 2020/21 if required.
- Demography/ Care Costs: The draft budget included an annual budget increase to reflect the increasing number of adults & children requiring social care of £8.50m over the next three years. A strategic review of investment in children's care costs has been undertaken and a focus will now be placed on early intervention and deflection from care through additional social work support which is expected to achieve savings in placement costs. Since the draft budget a further investment has been added to the budget of £1.61m, mainly due to a continuing rise in adult care costs. The investment in additional social workers is shown in Other investments below. The total additional investment in adults and children's social care in 2020/21 is £15.4m.
- New Income including Grants of £(4.99)m including an allowance of £(3.82)m for the Council's share of the additional social care funding of £1.0bn the Government is providing, continuation of Adult Social Care funding from 2019/20 of £(1.34m) and £(0.58)m indexation of the improved Better Care Fund (pending). The figure includes a reduction from the draft budget of £0.410m for New Home Bonus Grant largely as a result of Trafford's growth in domestic properties being proportionately less than the national average.
- Treasury Management: includes investment interest and borrowing costs, a reduction of £0.3m, which includes for additional investment income returns due to forecasted higher volumes of cash balances, in part offset by a pressure in 2021/22 due to forecast interest rates remaining low for a longer period due to the current economic uncertainties.
- Other: totalling £14.89m over three years, an increase of £7.54m from the draft budget. This growth includes

- Cost pressures of £4.8m relating to additional resources added to the Children's budget to cover additional salary cost and staffing requirements as part of an invest to save measure, an increase of £3.7m since draft. A further £2.25m over the next three years has been added since the draft budget to be held within Council Wide as a contingency item to cover against an increase in care costs should the invest to save measures in Children's Services not be achieved in full.
- £1.0m in Children's and Adult's Services after the loss of transformation funding, £0.98m pressures within Public Health and removal of £1m Public Health contingency held within Council Wide budget.
- £1.0m to baseline the costs of our Transformation Team.
- Also in 2020/21 includes reversals of prior year savings which were either one off in nature or coming to an end relating to Housing Benefit overpayment recovery £0.5m and Pension Fund advanced payment saving £0.76m and allowances for other minor service pressures and contingency items
- Since the draft budget £0.79m has been added for ICT costs relating to the migration to Office 365 and investment in additional security and compliance.

**Overall increase in the estimate of budget pressures since the October draft budget is £9.00m of which £5.6m relates to 2020/21.**

#### 4.3.2. Estimated Funding Pressures for the period to 2022/23: £5.23m

Using the 2019/20 funding of £169.94m as the baseline, this is estimated to reduce to £164.71m over the next three years, resulting in a funding pressure of £5.23m. This is a change of £1.46m since draft, largely due to a reduction in the assumptions in growth of our Council Tax base of £0.3m and early indications of the changes in Fairer Funding Review £1.0m. The main feature in the funding pressures relates to the assumptions surrounding the reset of the Business Rates Growth Pilot which was scheduled for 2020/21 but has now been deferred until 2021/22 and the assumptions on Council Tax base as detailed below:

- **Council Tax:** The total estimated increase in income over the three year period due to changes in tax-base is £1.19m (adjusting for the use of collection fund surpluses in 2019/20), a slight reduction of £0.3m from draft due to the lowering of our estimates on growth in tax base. This comprises a 0.5% allowance in 2020/21 (previously 0.75%) and 1% per annum for the following two years estimated growth in the number of properties. The 2020/21 figure has been marginally reduced to reflect a higher than expected take up of property discounts being experienced in the current financial year. These assumptions on growth will increase the Council Tax base in each of the next three years and generate approximately £0.5m in 2020/21 and £1.0m per annum in the following two years.

- The release of prior years' accumulated surplus will contribute an additional £1.216m on a one off basis in 2020/21.
- **Business Rates:** The total estimated reduction in Business Rates over three years is estimated at £2.94m. This figure includes a number of assumptions relating to the reset of the baselines and the transitional protection the Government may offer. In summary the loss of £11.3m from the reset of Business Rates and the one off distribution of prior year surplus in 2019/20, will be offset by an assumed reset transitional protection scheme. We are assuming there will be a protection scheme post reset which protects, on a tapering basis, on the entirety of our benefit including the 100% pilot retention scheme. In addition we estimate that following a national reset £1.3bn of business rate growth will then be redistributed through the new fair funding formula; this represents approximately £3.9m of additional funding for the Council based on current distribution methodologies. Indexation on our Baseline Funding and an assumed post reset growth will generate £1m in both years. Full details of which are shown in Annex C with a summary in the table below.
- **Fairer Funding Review:** The Government has acknowledged that the review of the mechanism for the distribution of resources under the Fairer Funding Review will be delayed until autumn 2020. Early modelling of the changes being considered in the provisional consultation issued in 2019 indicated that the Council may see a reduction in resources over the medium term of between £0.5m and £1m. As a precaution these figures have been built into our medium term forecast since the draft budget.
- **Budget Support Reserve:** In 2019/20 there was a one-off contribution from the reserve; the removal of this creates a funding pressure in 2020/21 of £2.624m.

4.3.3. At the draft budget the total benefit from Business Rates for 2020/21 was estimated at £65.26m, a reduction of £1.23m from 2019/20. The estimated benefit from Business Rates has been updated to £65.53m as a result of the provisional settlement, representing an improvement of £270k. The improvement consists of updates to the national inflation factor used to increase the small business rate multiplier and indexation of compensation grants. As part of the exercise to review the robustness of our budget assumptions, the forecast rateable value has been adjusted downwards to reflect the latest in-year forecasts and anticipated growth in properties during 2020/21. In order to maintain our budgeted expectations, this shortfall has been offset from a one off contribution from the Business Rates Risk Reserve to the tune of £0.64m in 2020/21.

Full details of the benefit from Business Rates are shown in Annex C with a summary in the table below:

| <b>Table 4: Benefit from Business Rates</b> | <b>2019/20<br/>£000's</b> | <b>2020/21<br/>£000's</b> | <b>2021/22<br/>£000's</b> | <b>2022/23<br/>£000's</b> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Core Baseline Funding                       | 35,834                    | 36,418                    | 37,147                    | 37,890                    |
| Revenue Support Grant                       | 5,299                     | 5,385                     | 5,385                     | 5,385                     |
| Public Health Grant                         | 12,064                    | 12,381                    | 12,381                    | 12,381                    |
| <b>Total Baseline Funding Level (BFL)</b>   | <b>53,197</b>             | <b>54,184</b>             | <b>54,913</b>             | <b>55,656</b>             |
| Business Rates Growth                       | 13,292                    | 11,347                    | 85                        | 87                        |
| Assumptions on Transitional Protection      |                           |                           | 8,256                     | 6,803                     |
| Assumption on Growth Post Reset             |                           |                           | 1,000                     | 1,000                     |
| <b>Business Rates Benefit over BFL</b>      | <b>13,292</b>             | <b>11,347</b>             | <b>9,341</b>              | <b>7,890</b>              |
| <b>Total Benefit from Business Rates</b>    | <b>66,489</b>             | <b>65,532</b>             | <b>64,253</b>             | <b>63,546</b>             |
| <b>Yearly Change</b>                        |                           |                           |                           |                           |
| Change in BFL                               |                           | 987                       | 728                       | 743                       |
| Change in Business Rates Benefit            |                           | (1,944)                   | (2,006)                   | (1,450)                   |
| <b>Yearly Change</b>                        |                           | <b>(957)</b>              | <b>(1,278)</b>            | <b>(707)</b>              |

Loss in Business Rates over period £0.957+£1.278+£0.707 = £2.94m

4.3.4. The table below summarises the budget movements caused by cost pressures and funding between the draft and final budget stage and the impact on the overall budget gap. A full detailed listing is provided in Annex B.

| <b>Table 5: Movement in Gross Budget Gap Draft to Final</b>         | <b>2020/21<br/>£000's</b> | <b>2021/22<br/>£000's</b> | <b>2022/23<br/>£000's</b> | <b>Total<br/>£000's</b> |
|---|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Gross Budget Gap at Draft Budget</b>                             | <b>12,956</b>             | <b>10,238</b>             | <b>8,471</b>              | <b>31,665</b>           |
| <b>Total Changes to Budget Assumptions (see Annex B for detail)</b> | <b>5,584</b>              | <b>2,085</b>              | <b>1,336</b>              | <b>9,005</b>            |
| <b>Changes to Funding</b>   |                           |                           |                           |                         |
| Changes to Council Tax (base and prior 19/20 estimated surplus)     | 226                       | 42                        | 15                        | 283                     |
| Impact of Fairer Funding assumptions                                | 0                         | 500                       | 500                       | 1,000                   |
| Changes to Business Rate provisional settlement                     | (267)                     | 446                       | 1                         | 180                     |
| <b>Total Changes to Funding (Non Policy Choice)</b>                 | <b>(41)</b>               | <b>988</b>                | <b>516</b>                | <b>1,463</b>            |
| <b>Revised Gross Budget Gap (Feb 20)</b>                            | <b>18,499</b>             | <b>13,311</b>             | <b>10,323</b>             | <b>42,133</b>           |

#### 4.4 How the Budget Gap Has Been Met 2020/21

4.4.1. The table below shows the final position following the latest round of business cases & budget proposals and funding updates.

| <b>Table 6 : Summary of the Budget Proposals</b>                              | <b>2020/21<br/>£'000</b> | <b>2021/22<br/>£'000</b> | <b>2022/23<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---|--------------------------|--------------------------|--------------------------|------------------------|
| <b>Revised Gross Budget Gap (Feb 20)</b>                                      | <b>18,499</b>            | <b>13,311</b>            | <b>10,323</b>            | <b>42,133</b>          |
| <b>Policy Choice Funding Proposals</b>  |                          |                          |                          |                        |
| Adult Social Care Precept increase 2%   | (2,000)                  | (2,188)                  | (2,327)                  | (6,515)                |
| General Increase in basic Council Tax to 1.99%                                | (1,978)                  | (1,986)                  | (2,083)                  | (6,047)                |
| Contribution from Budget Support Reserve                                      | (616)                    | 616                      | 0                        | 0                      |
| Contribution from Budget Support Reserve (Children's Invest to Save measures) | (3,850)                  | 3,850                    | 0                        | 0                      |
| <b>Total Policy Choice Funding</b>  | <b>(8,444)</b>           | <b>292</b>               | <b>(4,410)</b>           | <b>(12,562)</b>        |
| Savings and Income proposals *  | <b>(10,055)</b>          | <b>1,408</b>             | <b>(255)</b>             | <b>(8,902)</b>         |
| <b>Revised Budget Gap (Feb 20)</b>  | <b>0</b>                 | <b>15,011</b>            | <b>5,658</b>             | <b>20,669</b>          |

(\*) Full details are included in Annex D

4.4.2. A summary of the changes since the Draft Budget Report in October 2019 which included a remaining gap of £720k are summarised as follows with more specific detail given in Annex B

| <b>Table 7: Movements Since Draft Budget</b> | <b>2020/21<br/>£000's</b> | <b>2021/22<br/>£000's</b> | <b>2022/23<br/>£000's</b> | <b>Total<br/>£000's</b> |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Budget Gap (Oct 19)</b>                   | <b>720</b>                | <b>9,906</b>              | <b>5,351</b>              | <b>15,977</b>           |
| Changes to Budget Assumptions                | 5,584                     | 2,085                     | 1,336                     | 9,005                   |
| Changes to Funding (Non Policy Choice)       | (41)                      | 988                       | 516                       | 1,463                   |
| Additional Savings and Income Proposals      | (2,397)                   | (1,834)                   | (1,545)                   | (5,776)                 |
| Contribution from Budget Support Reserve     | (3,866)                   | 3,866                     |                           | 0                       |
| <b>Revised Gap</b>                           | <b>0</b>                  | <b>15,011</b>             | <b>5,658</b>              | <b>20,669</b>           |

An explanation of the changes to Budget Assumptions/ Pressures and Funding (Non Policy Choice) are referred to above at 4.3.1 and 4.3.2 with full details shown in Annex B.

The major changes to Savings and Income Proposals totalling £(2.397)m in 2020/21, are summarised below with full details in Annex B.

#### New Savings and Income Proposals and Policy Choice Adjustments

- Additional Investment Interest £(1.0)m
- Children's Services (placement and demography savings) £(1.2)m
- Other £(0.2)m

#### Changes to Funding (Policy Choice)

- The figure of £(3.866)m relates to the use of the Budget Support Reserve to balance the 2020/21 budget. The Budget Support Reserve was created during 2015/16 to support future year's budgets. This is a one-off resource which assists in helping to close the gap in 2020/21.

#### 4.4.3. Council Tax

- a) Council Tax: within the Provisional 2019/20 Local Government Finance Settlement the Government set out its proposals regarding Council Tax referendum principles for 2020/21
- b) to allow Local Authorities to increase their Council Tax by less than 2% without the need to hold a referendum i.e. allow a 1.99% general increase in the 'relevant basic amount'. This budget report includes for a 1.99% increase in 2020/21 and a further 1.99% increase in 2021/23.
- c) Continue the flexibility offered on the use of the 'adult social care precept' by 2% and this has been included in the funding assumptions for 2020/21 and later years.

#### 4.4.4. **Therefore the budget for 2020/21 includes proposals for an overall increase in the level of Council Tax of 3.99%:**

- 1.99% general increase in the 'relevant basic amount' and
- 2% for the 'Adult Social Care' precept

## 5 PROPOSED 2020/21 BUDGET and 2021/23 MTFs

- 5.1 The proposed net budget for 2020/21 is £175.203m an increase in the net budget of £5.266m or 3.09%, from £169.937m. Full subjective and objective summaries providing a breakdown of the 2020/21 net budget of £175.203m can be found in Annexes E & H.
- 5.2 Whilst the budget gap has now been closed for 2020/21 the size of the challenge over the following two years remains significant. For that reason the budget process for 2021/22 will, as in previous years, commence immediately after the approval of the 2020/21 budget such that sufficient time is afforded to consider all options at an early stage, to ensure robust savings and income proposals can be developed in order to bridge the budget gap in future years as shown below.

| Table 8: The 2020-23 Budget Gap         | February 2020     |                   |                   |
|---|-------------------|-------------------|-------------------|
|   | 2020/21<br>£000's | 2021/22<br>£000's | 2022/23<br>£000's |
| <b>Budget Forecasts</b>                 |                   |                   |                   |
| <b>Net Budget b/fwd</b>                 | <b>169,937</b>    | <b>175,203</b>    | <b>187,986</b>    |
| <b><u>Budget Pressures</u></b>          |                   |                   |                   |
| Pay                                     | 2,312             | 1,434             | 1,379             |
| Living Wage                             | 2,161             | 1,570             | 1,500             |
| Inflationary                            | 0                 | 202               | 207               |
| Contractual Obligations                 | 2,181             | 2,205             | 2,232             |
| Levies                                  | (753)             | 211               | 335               |
| Social Care Demographic                 | 4,649             | 2,821             | 2,642             |
| Grants, Legislative & Service Transfers | (4,643)           | 4                 | 0                 |
| Loss of Income                          | 0                 | (350)             | 0                 |
| Treasury Management                     | (798)             | 500               | 0                 |
| Other                                   | 10,212            | 2,778             | 1,904             |
| <b>Total Budget Pressures</b>           | <b>15,321</b>     | <b>11,375</b>     | <b>10,199</b>     |
| <b><u>Approved Budget Proposals</u></b> |                   |                   |                   |
| Income                                  | (6,122)           | 2,418             | 745               |
| Efficiencies & Policy Choice            | (3,933)           | (1,010)           | (1,000)           |
| <b>Total Approved Budget Proposals</b>  | <b>(10,055)</b>   | <b>1,408</b>      | <b>(255)</b>      |
| <b>Net Budget</b>                       | <b>175,203</b>    | <b>187,986</b>    | <b>197,930</b>    |



| <b>Budget Forecasts</b>  | <b>2020/21<br/>£000's</b> | <b>2021/22<br/>£000's</b> | <b>2022/23<br/>£000's</b> |
|--|---------------------------|---------------------------|---------------------------|
| <b><u>Funding:</u></b>   |                           |                           |                           |
| Council Tax  | (103,990)                 | (109,221)                 | (114,715)                 |
| Council Tax Prior Year Collection Fund (Surplus)/Deficit                           | (1,216)                   | 0                         | 0                         |
| Business Rates: Local Share  | (150,195)                 | (153,758)                 | (156,833)                 |
| Business Rates: Tariff Payment   | 96,011                    | 98,845                    | 101,177                   |
| Business Rates: Assumptions, Growth, S31 Grants, GM Pilot, Transitional Protection | (11,347)                  | (9,341)                   | (7,890)                   |
| Fairer Funding Assumptions   |                           | 500                       | 1,000                     |
| <b>Funding</b>   | <b>(170,737)</b>          | <b>(172,975)</b>          | <b>(177,261)</b>          |
| <b><u>Movements in Reserves:</u></b>   |                           |                           |                           |
| Cont. from Budget Support Reserve  | (4,466)                   |                           |                           |
| <b>Movements to/(from) Reserves</b>  | <b>(4,466)</b>            |                           | <b>0</b>                  |
|  |                           |                           |                           |
| <b>Cumulative Revised Budget Gap</b>   | <b>0</b>                  | <b>15,011</b>             | <b>20,669</b>             |
| <b>Annual Revised Budget Gap</b>   | <b>0</b>                  | <b>15,011</b>             | <b>5,658</b>              |

## **6 ROBUSTNESS, RISKS & RESERVES**

### **6.1 Robustness and Risks**

6.1.1. The law requires that the Council sets a balanced and robust budget, which is sufficient to meet its legal obligations, and then its aspirations. This requires all plans to be costed, forecasts and estimates to be checked for reasonableness, and risks to be assessed across the many varied services the Council provides. This also includes an assessment for emergencies, severe weather and other service and strategic risks.

6.1.2. Robustness does not guarantee that all possible eventualities are identified, or that all budget estimates are exact. Actual income and expenditure is likely to vary from the established budgets, but in the round these will compensate, and the approved budget need only be sufficient to meet overall expenditure requirements.

6.1.3. In exercising their statutory duty the Corporate Director of Finance and Systems, in conjunction with the Corporate Leadership Team, will take all matters and issues into consideration and will make a reasoned assessment of whether the budget is sufficient and robust. The Executive will ensure the minimum reserve level is maintained to ensure the Council can meet its obligations.

6.1.4. The Council faces various financial risks to include:

- The ability to deliver savings within agreed timescales.
- Potential legal challenges to decisions.
- Fees & charges income differing to assumptions.
- Variations to external funding and grant allocations.
- Demographic pressures.
- Inflation & Interest Rates differing to assumptions.
- Business Rates growth & the 100% retention scheme pilot and potential costs with backdated appeal costs.
- Variations to external levies & contracts.
- Future changes to legislation
- An increasing level of its funding from local sources
- Devolution & integration of Health & Social Care (also an opportunity)

6.1.5. In reviewing the robustness of the Council's budget proposals use has been made of some key Cipfa publications around good financial management, prudential property investment and financial resilience. A key concern for the Council continues to be its low level of reserves.

## 6.2 Reserves

6.2.1. In August 2019, a new reserves policy was developed which set out the methodology for the creation, classification, review and approval process for the use of reserves to enable a more corporate approach to be taken, ensuring reserves are aligned to the Council's priorities over the medium term.

6.2.2. Under the Local Government Act 2003, the Corporate Director of Finance and Systems is required to prepare a report, for use when the Council is deciding its annual budget and council tax, on the robustness of the budget and the adequacy of the Council's reserves. It is for this reason that it is recommended that this Reserves Policy is reviewed on a bi-annual basis as part of the draft and final budget process and supplemented with regular review as part of the monitoring and financial closedown process. This will ensure the judgements on the adequacy of reserves are informed and remain appropriate particularly in relation to the potential impact of new risks and financial challenges faced by the Council. The key features of the revised policy are set out below.

## 6.3 Classification

6.3.1. For ease of management, reserves have been grouped into six categories as follows:-

- **Budget Resilience and Smoothing Reserves** - earmarked reserves linked to the financial resilience of the Council, for example being able to respond to unexpected demand pressures
- **Strategic Priority Reserves** - earmarked reserves linked to the Council's priorities over the medium term financial plan
- **Corporate Reserves** - statutory and ring fenced reserves
- **Reserves Linked to Service Area Priorities** - earmarked reserves linked to the Council's transformational change and service area priorities
- **Capital Reserves** – consist of capital receipts, grants and contributions which can only be used to fund capital expenditure and are all allocated to support the current capital programme. These will not be considered as part of the Reserves Policy.
- **Schools Reserves** - represent the carry forward balances of individual school surpluses and deficits along with the accumulated balance of DSG grant. Individual school balances will not be considered as part of the Reserves Policy.

## 6.4. Balances

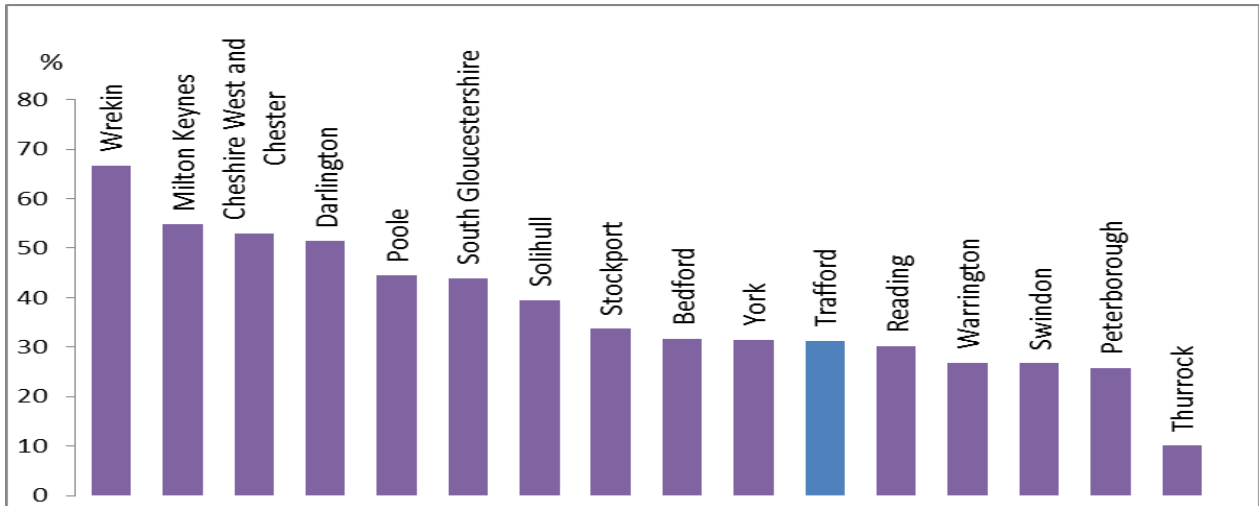
6.4.1. The Council usable reserves at 31st March 2019 stood at £72.34m, of which £49.79m relates to Earmarked revenue reserves as shown below, along with their projected usage over 3 years including the current financial year.

| <b>Table 9 :</b>                | <b>Opening Balance 1/4/19</b> | <b>Est Balance 1/4/2020</b> | <b>Est Balance 1/4/2021</b> | <b>Est Balance 1/4/2022</b> |
|---------------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Usable Reserves</b>          | <b>£m</b>                     | <b>£m</b>                   | <b>£m</b>                   | <b>£m</b>                   |
| Budget Resilience and Smoothing | 25.32                         | 21.93                       | 14.89                       | 14.75                       |
| Strategic Priority              | 7.55                          | 5.88                        | 5.55                        | 4.94                        |
| Corporate                       | 2.52                          | 0.34                        | 0.71                        | 0.71                        |
| General Reserve                 | 7.00                          | 7.00                        | 7.00                        | 7.00                        |
| Service Area Priorities         | 7.40                          | 0.77                        | 0.28                        | 0.00                        |
| <b>Earmarked Reserves</b>       | <b>49.79</b>                  | <b>35.92</b>                | <b>28.43</b>                | <b>27.40</b>                |
| Capital Related Reserves        | 11.99                         | 11.26                       | 8.04                        | 5.90                        |
| School Related Reserves         | 10.56                         | 10.56                       | 10.56                       | 10.56                       |
| <b>Total Usable Reserves</b>    | <b>72.34</b>                  | <b>57.74</b>                | <b>47.03</b>                | <b>43.86</b>                |

6.4.2. The Council's overall budget plans include for a total estimated drawdown from reserves of £10.71m, of which £3.22m is from capital related reserves required to support the capital programme. This leaves £7.49m of planned use of other earmarked reserves of which the significant items are as follows:-

- **Budget Support Reserve £4.5m** – required to balance the 2020/21 budget plans, of which £3.8m is supporting the Children's invest to save measures.
- **Business Rate Risk Reserve £0.6m** – to offset the decline in business rate funding predicted in 2020/21 due to erosion of the rateable value caused by temporary and permanent deletions from the rating list.
- **Bus Reform Reserve £1.5m** – this is required to cover the Council's potential contribution to the costs of bus reform in Greater Manchester pending the outcome of consultation.

6.4.3. In respect of the recently published Financial Resilience Index (FRI) by Cipfa the Council's reserve levels as a percentage of net revenue expenditure are deemed a high risk due to their relatively low level compared to statistical neighbours, therefore priority is to replenish reserves when the opportunity arises. In terms of the rate of use of reserves the FRI shows the Council to be low risk due to the level of contributions to reserves in recent years.



6.4.4. The balance and proposed commitments against each reserve are shown in detail in Annex F & G and the following paragraphs summarise the salient features of the main reserves.

➤ **Budget Resilience and Smoothing - Budget Support Reserve**

This reserve was established in 2015/16 to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term. Each year the Council faces unavoidable base budget pressures relating to pay, general inflation and demographic growth of which is offset by an assumed level of growth in Council Tax, leaving a net budget pressure. It is recommended as a minimum that the budget support reserve be maintained at a level of 50% of the net pressure.

Given the use of reserve in 2020/21 of £4.5m this one-off amount compounds the budget gap in 2021/22; therefore it is proposed to rationalise and review existing reserves so that the current policy of maintaining the level at 50% of the net budget gap, i.e. £7.5m can be achieved by:-

- Review of Airport Dividend Reserve (£2.7m released – see below)
- Review Business Rate Risk Reserve (£2.0m released – see below)
- Expected refund from the Waste Authority which is expected in 2019/20, which in part will be ring-fenced to support the Council's potential contribution for bus reform in 2020/21, leaving £1.2m available.

Including the adjustments above the estimated balance on the reserve increases to £8.8m at 31/3/20. Of this £4.5m will be applied to support the budget in 2020/21 leaving a balance of £4.3m, a shortfall £3.2m on the required target. Further work will be undertaken over the next couple of months to take account of any budget outturn savings and also include a full review of service area priority reserves.

➤ **Budget Resilience and Smoothing - Manchester Airport Dividend Reserve**

This is a reserve set aside in the event of an economic downturn or other event which affects the performance of the Airport and future dividends. Whilst

the current policy states an amount equivalent to 50% of the usual level of annual dividend is set aside. In recent years, the size of annual dividend received has exceeded the budgeted level (in 19/20 by £1.3m). Given this headroom it would seem prudent to reduce the reserve to 10% of the estimated annual dividend, i.e. £550k based on the 2020/21 budget. This would release £2.7m from the reserve to the Budget Support Reserve.

➤ **Budget Resilience - Business Rate Risk Reserve**

This reserve was established in 2017/18 to hold the surplus funds generated from the Business Rates Growth Pilot and amounts redistributed from the GMCA. It was designed to cover volatility in the fluctuation of business rates and provide a cushion when the business rates system is reset. The balance at the end of 2019/20 is expected to stand at £7.201m and following a planned application of £642k in 2020/21 to support a decline in rateable values that has occurred in 2019/20, a balance of £6.558m is forecast at the end of 2020/21. This balance was held to offset the impact of the planned business rate reset but given MHCLG are planning a transitional protection scheme it is expected the full balance will not be required. It is recommended that £2m be transferred to Budget Support Reserve, leaving £4.5m in the event the transitional protection scheme is not as beneficial as assumed.

➤ **Strategic Priority - Strategic Investment Fund Risk Reserve**

Each strategic property investment business case includes an amount to be set aside to cover any unexpected circumstances, such as lost rental income or a delay in any redevelopments. This reserve will accumulate a sufficient balance over a period of time to absorb these risks. The level of this reserve will be reviewed annually to reflect the balance of risk on the investment portfolio. It is anticipated to stand at £3.1m by the end of 2021/2022.

➤ **Strategic Priority - Transformation and Transformation Match Funding**

Monies allocated from Greater Manchester Health and Social Care Partnership for the transforming of health and social care services. This money can only be used on the activities that were laid out in the Transformation programme and some of this money will be allocated to the CCG for their share of programme costs.

➤ **Strategic Priority - Leisure Centre Refurbishment**

This reserve was created to absorb the risks associated with the Council's leisure centre redevelopment plans. The potential risks include such items as, underwriting the reduction in operational income during the rebuilding phase, variations in build costs, and changes to assumptions on interest and inflation rates.

➤ **Strategic Priority - Children's Action Fund**

A new reserve of £1.5m was established in 2019/20 for investment in Children's Services following the recent Ofsted inspection. It is anticipated that this will be drawn down during 2019/20.

➤ **Corporate Reserves - General Reserve**

The Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure. In February 2019, Council agreed to set the minimum level of the General Fund Reserve at £7.00m as recommended by the Corporate Director of Finance and Systems.

**6.5. Reserves Linked to Service Area Priorities**

6.5.1. The rationale for these reserves is to provide funding to deliver Service Area priorities outside of the MTFP which are largely one off in nature or the timing of delivery cannot be determined accurately.

6.5.2. The revised Reverses Policy clarifies that the commitment to create, review and spend these reserves will need to be supported by Corporate Leadership Team as and when required throughout the year in order to confirm that they remain in line with the Council's broad strategic priorities. As such, details of these reserves are now included within the regular budget monitoring cycles throughout the year. Details of each reserve balance and commitment within this category is shown in Annex G. As referred to above a full review of these balances and commitments will be undertaken with a view to replenishing the Budget Support Reserve.

**6.6. GENERAL RESERVE**

6.6.1. General Reserve: the Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure. In February 2019 Council agreed to set the minimum level of the General Fund Reserve at £7.00m as recommended by the Corporate Director of Finance and Systems. It is recommended for 2020/21 that this level be maintained at £7.0m with some of the significant reasoning behind this decision set out below:-

- The level of gross income receivable from the Asset Investment Strategy will exceed £17m in 2020/21 and whilst full due diligence has been undertaken for each investment there is still a risk to this income stream. A specific earmarked investment strategy risk reserve is being built up and is estimated to stand at £1.3m at the end of 2019/20. Until this reserve gets to a meaningful level, an allowance included in the general reserve in 2019/20 will be maintained at current levels.
- Adults services is currently facing the potential for backdated client costs as a result of ordinary residence claims, whereby the care costs of care are met by the authority where the client generally resides. The cases can be complex and drawn out and costs hard to predict. A new allowance has been included in the general reserve as a precaution to cover claims exceeding the level of contingency held within the Adults Services budget.
- Council Tax risk – A separate Collection Fund reserve holds previous years' accumulated surpluses from the Council Tax Collection Fund. This reserve was previously used to manage the risk of in year

fluctuations of the Council Tax budget, however a review of our legislative requirements attached to this reserve has required the full balance to be released to the general fund. An allowance has therefore been made in the general reserve to replace this Council Tax Collection Fund reserve should we experience a significant in year shortfall in Council Tax income.

- The Council is still including for some significant levels of income in 2020/21 for business rates and a contingency was included in the General Reserve to cover the scenario if rates income drops significantly which would also supplement the Business Rate Risk Reserve. The level of contingency held within the general reserves has been maintained at similar levels to 2019/20.

| <b>Table 10: Advised minimum level of General Reserve</b> | <b>2020/21<br/>£m</b> |
|---|-----------------------|
| Tax & Treasury Management                                 | 0.05                  |
| Pay & inflation   | 1.13                  |
| Fees and Charges  | 0.19                  |
| Emergency & Disaster Recovery                             | 1.07                  |
| Efficiencies  | 1.74                  |
| Demand led budgets  | 2.00                  |
| Other Pressures   | 0.96                  |
| Funding Risk  | 3.47                  |
| <b>TOTAL</b>  | <b>10.61</b>          |
| Risk reduction of 34%                                     | -3.61                 |
| <b>Advisory level of minimum reserve</b>                  | <b>7.00</b>           |

## 6.7. Summary

- 6.7.1. It is a requirement of the Local Government Act 2003 for the Council's Corporate Director of Finance and Systems to give an opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level of reserves (s26). These opinions are provided to Members to assist in their determination as to whether the proposed budget is sufficient to meet the needs of the Council.
- 6.7.2. Members' attention is drawn to the statement by the Corporate Director of Finance and Systems attached at Annex I, which should be taken into account before approving the budget together with the comments made in paragraphs below.
- 6.7.3. In determining the budget for the forthcoming year there are important decisions about the use of reserves, and given the uncertainty surrounding 2021/22, reserve levels have been reviewed, however further work around Service Area Priority Reserves will be undertaken to provide a cushion in 2021/22.



6.7.4. The planned use of £4.5m of general reserves to support the budget is a one-off source of funding and therefore the budget gap in 2021/22 increases by this amount.

## 7 INVESTMENT STRATEGY

### 7.1. Background

7.1.1. During 2018/19 and 2019/20 the Council has continued to build on its overall approach to investments in an effort to strengthen the Council's financial resilience over the next few years and offer an alternative solution that can be used to address future budget gaps. The Investment Strategy is only one element of the Council's budget strategy and service savings and efficiencies will continue to be sought in future years, albeit that it is expected that the reliance on generating sustainable, low risk revenue streams will continue to play an increasing role given the extent of savings already delivered since 2010/11.

7.1.2. The Asset Investment Strategy is currently under review to reflect market conditions and carbon neutrality aspirations and will be brought back to Executive in March.

7.1.3. Based on the latest monitoring position £355m has been committed from the budget of £400m. It is proposed to increase this to £500m, supported by prudential borrowing, to support the approach with specific focus on supporting direct investment and regeneration schemes within the Borough; with any decision to utilise the new borrowing to be agreed with the Executive or the Investment Management Board, as appropriate, on a case by case basis.

7.1.4. The Strategy is operated within the latest MHCLG and CIPFA prudential guidance in that it complies with the three key requirements:

- It sets out the authority's policies for prudent management of its investments and for giving priority firstly to **security of investments** and secondly **liquidity** followed by **yield**;
- It identifies the procedures for monitoring, assessing and mitigating risk of loss of the invested sums; and
- It is approved by full Council.

### 7.2. Coverage

7.2.1. The Council's overall approach to investments is included in the Treasury Management Strategy and Capital Strategy Reports found elsewhere on the agenda.

➤ **Financial assets (See Treasury Management Report)**

- Specified Investments
- Loans
- Non specified Investments (i.e. MAG shares)

➤ **Non-financial investments (See Capital Strategy Report)**

## 8 SCHOOLS FUNDING & BUDGETS 2020/21

### 8.1. Background

8.1.1. Schools are funded from a ring-fenced grant called the Dedicated Schools Grant (DSG) which cannot be used for any other Council function. Schools operate within their own fund with any under or over spend being taken forward into future years. There are four blocks within the DSG:-

- **Schools Block (SB)** – funds schools’ budgets - this includes £75m for academies.
- **Central Schools Services Block (CSSB)** – reflects the ongoing local authority role and is reducing year by year.
- **High Needs Block (HNB)** – which primarily supports Special Educational Needs (SEN) expenditure. This includes £13m to fund Trafford Special Schools.
- **Early Years Block (EYB)** - which funds educational provision for 2 to 5 year olds in both Schools and Private, Voluntary and Independent (PVI) settings.

8.1.2. DSG allocations for 2020/21 were announced in December and whilst a further revision will be made to reflect a high needs deduction made by the Education Skills and Funding Agency (ESFA) and an import/export adjustment, at this stage they indicate a £11.956m increase on 2019/20.

| <b>Table 11<br/>DSG Allocations</b> | <b>2019/20<br/>(£m)</b> | <b>2020/21<br/>(£m)</b> | <b>Difference<br/>(£m)</b> |
|-------------------------------------|-------------------------|-------------------------|----------------------------|
| Schools Block                       | 162.829                 | 171.944                 | 9.115                      |
| Central School Services Block       | 1.546                   | 1.513                   | (0.033)                    |
| High Needs Block                    | 26.723                  | 29.278                  | 2.555                      |
| Early Years Block                   | 17.506                  | 17.825                  | 0.319                      |
| <b>Total</b>                        | <b>208.604</b>          | <b>220.560</b>          | <b>11.956</b>              |

8.1.3. The increase in the Schools Block is due to:-

- Pupil number increases of 106 in the primary sector and 389 in the secondary sector;
- A per pupil increase for each school in 2020/21 in line with inflation (1.84%) through the National Funding Formula (NFF) compared to the 2019/20 baseline;
- All of the key factors in the NFF have been increased by 4%; and
- The minimum funding per pupil levels have increased to £3,750 for all primary schools and £5,000 for all secondary schools.

8.1.4. The increase in the High Needs Block is due to:-

- A higher funding floor set at 8%;
- A higher limit on formula gains set at 17%; and
- Increased funding through the remaining factors.

8.1.5. The increase in the Early Years Block is due to the hourly rate for 2 year olds and 3 & 4 year olds increasing by 8p.

## 8.2. Summary Position 2019/20

8.2.1. The latest monitoring position reflected in the period 8 budget monitor indicated a £29k over spend in 2019/20.

| <b>Table 12<br/>P8 monitoring</b> | <b>2019/20<br/>Budget<br/>(£m)</b> | <b>2019/20<br/>Expected<br/>Outturn<br/>(£m)</b> | <b>Difference<br/>(£m)</b> |
|-----------------------------------|------------------------------------|--|----------------------------|
| Schools Block                     | 161.964                            | 161.986  | 0.022                      |
| Central School Services Block     | 1.546                              | 1.553  | 0.007                      |
| High Needs Block                  | 27.588                             | 27.588   | 0                          |
| Early Years Block                 | 17.506                             | 17.506   | 0                          |
| <b>Total</b>                      | <b>208.604</b>                     | <b>208.633</b>                                   | <b>0.029</b>               |

8.2.2. The level of central DSG reserve at 1 April 2019 was £2.305m and whilst some is ring-fenced to support specific expenditure, the balance was to support the investment/pressures in the High Needs budget in future years.

| <b>Table 13<br/>Analysis of reserves</b>        | <b>Reserves<br/>(£m)</b> |
|---|--------------------------|
| <b>Reserve as at 31<sup>st</sup> March 2019</b> | 2.305                    |
| Growth Fund                                     | (0.097)                  |
| De-delegation                                   | (0.396)                  |
| Early Years                                     | (0.300)                  |
| <b>Remaining Reserve (for High Needs Block)</b> | <b>1.512</b>             |

## 8.3. High Needs Block (HNB)

8.3.1. There have been significant pressures within the HNB in recent years due to:-

- Financial pressures in the Schools block;

- Numbers of Education and Health Care Plans (EHCPs) have continued to increase;
- The needs of many pupils are becoming more complex;
- The requirement to fund 0-25 years from 0-19 years was not funded;
- Policy changes to accountability, curriculum and testing have made inclusion in mainstream increasingly difficult for many learners; and
- LAs are required to make provision for all pupils permanently excluded from school but have little power to reduce exclusions.

8.3.2. The main budget assumptions and their financial impact over the next three year period indicate expenditure pressures of £3m:-

- An uplift in complexity of need leading to a rise in special school top-ups (No assumption has been made for any further growth in place numbers (£1.15m);
- Continued increase in the level of SEN delegation payments to schools (1.13m);
- Increased costs of home tuition for those pupils unable to attend school (£0.1m);
- Increase cost of out of borough placements caused by increasing complexity (£0.45m);
- Inflationary cost increases on out of borough placements, pay, running costs of the additional small specialist class and other small adjustments (£0.5m); and
- 2% inflation has been assumed and added to the grant allocation for future years.

8.3.3. Trafford is part of several lobbying groups both nationally and regionally who have been lobbying for additional funding into the HNB. This has been successful in securing additional funding which has helped address the funding gap that had originally been forecast and is shown in the table below.

| <b>Table 14</b>          | <b>2020/21<br/>(£m)</b> | <b>2021/22<br/>(£m)</b> | <b>2022/23<br/>(£m)</b> |
|--------------------------|-------------------------|-------------------------|-------------------------|
| Required HNB budget      | 28.470                  | 29.556                  | 30.646                  |
| Provisional HNB grant    | 29.278                  | 29.864                  | 30.461                  |
| <b>(Surplus)/Deficit</b> | <b>(0.808)</b>          | <b>(0.308)</b>          | <b>0.185</b>            |

8.3.4. The increase in Trafford's grant allocation in 2020/21 is sufficient to cover the increase in expenditure pressures in 2020/21 and allow headroom which will have a positive impact on the reserve as shown below and can be earmarked to finance measures which will reduce the pressure on the high needs block in future years.

| <b>Table 15</b>                   | <b>2019/20<br/>(£m)</b> | <b>2020/21<br/>(£m)</b> | <b>2021/22<br/>(£m)</b> | <b>2022/23<br/>(£m)</b> |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Usable reserves brought forward   | 1.512                   | 1.543                   | 2.351                   | 2.659                   |
| Movements in year                 | 0.031                   | 0.808                   | 0.308                   | (0.185)                 |
| <b>Useable reserves remaining</b> | <b>1.543</b>            | <b>2.351</b>            | <b>2.659</b>            | <b>2.473</b>            |

#### 8.4. Budget allocations 2020/21

8.4.1. A more detailed analysis of the budget allocations for 2020/21 is provided in the table below:-

| <b>Table 16<br/>DSG Allocations &amp; Budget 2020/21</b> | <b>(£m)<br/>budget</b> | <b>(£m)<br/>allocation</b> |
|--|------------------------|----------------------------|
| <b><u>Schools Block Budget</u></b>                       |                        |                            |
| Allocated to schools                                     | 171.944                | 171.944                    |
| <b><u>High Needs Block Budget</u></b>                    |                        |                            |
| Special Schools  | 12.908                 |                            |
| Sensory Impairment                                       | 1.200                  |                            |
| Speech Therapy   | 0.213                  |                            |
| SEN  | 5.701                  |                            |
| Out of Borough   | 6.593                  |                            |
| Notional SEN Contingency                                 | 0.427                  |                            |
| Behaviour & Attendance                                   | 0.336                  |                            |
| PRU's  | 1.092                  |                            |
| Contribution to DSG Reserve                              | 0.808                  | 29.278                     |
| <b><u>Early Years Block Budget</u></b>                   | <b>17.825</b>          | <b>17.825</b>              |
| <b><u>Schools Central Services</u></b>                   | <b>1.513</b>           | <b>1.513</b>               |
| <b>Total</b>   | <b>219.752</b>         | <b>220.560</b>             |

#### 8.5. Future Changes – National Funding Formula (NFF)

8.5.1. A National Funding Formula (NFF) was introduced in 2018/19 the aim of which was to create a level playing field by creating a national formula with a single set of values for each of the factors relating to pupil and school characteristics. The intention was that when fully implemented, there would no longer be different sums of money received by schools with similar pupil profiles. However this hasn't materialised as every school's starting point is very different as a result of historic individual local formulae decided by local authorities (LAs) with floors and protections in place.

8.5.2. The introduction of a hard formula was to take place in 2020/21 after 2 years of a soft formula, however this has been delayed by a further year. The soft formula involves the Education Skills and Funding Agency (ESFA) applying the national formula values to individual schools' data and aggregating the allocations at LA level. They then add funding for historic spending factors which currently sit outside the NFF. LAs receive the total funding as a Schools Block allocation and distribute it between schools using a local formula.

Academy General Annual Grant (GAG) is also based on the local formula. Trafford Schools' Funding Forum opted to mirror the NFF as a local formula in 2018/19.

- 8.5.3. The hard formula means that the ESFA will calculate and distribute allocations directly to all schools and academies using the NFF. In the government's recent spending review it was announced that there is still the intention to move to a hard formula.
- 8.5.4. However, there are still some big challenges to overcome before this could be implemented, for example the LA's co-ordinating role, historic spend factors and transitional arrangements.

## 9. COUNCIL TAX REQUIREMENT AND STATUTORY CALCULATIONS

### 9.1 Budget Requirement

9.1.1 The Local Government Finance Act 1992, as amended by the Localism Act 2011, requires the Council to make the following calculations:

- an estimate of the Council's gross revenue expenditure - Section 31A(2),
- an estimate of anticipated income - Section 31A(3),
- a calculation of the difference between (i) and (ii) above, (i.e. net revenue expenditure) - Section 31A(4) – this is known as the Council Tax Requirement,
- a calculation of the Council's 'relevant basic amount' of Council Tax, calculated by dividing the Council Tax Requirement by the council tax base (expressed in Band D's).

9.1.2 If the proposals in this budget report are agreed, the calculation for the 2020/21 Council Tax Requirement will be as follows:

| Calculation of Council Tax Requirement & Relevant Basic Amount of Council Tax 2020/21 | £                   |
|---|---------------------|
| <b>Service Budget</b>   |                     |
| <b>Gross Expenditure</b>  |                     |
| Service expenditure   | 478,730,975         |
| <b>Gross Income</b>   |                     |
| Fees, charges and specific grants   | (303,527,627)       |
| <b>Service Area Net Budget</b>  | <b>175,203,348</b>  |
| <b>Financing Budget</b>   |                     |
| Retained Business Rates Baseline  | (54,184,267)        |
| Business Rates (Growth & S31 Grants)  | (10,704,514)        |
| Business Rates Prior Years accumulated (Surplus)/Deficit                              | 4,915,710           |
| Contribution from Business Rate Deficit Reserve                                       | (4,915,710)         |
| Contribution from Business Rate Risk Reserve  | (642,817)           |
| Distribution of Collection Fund surplus (Council Tax)                                 | (1,215,991)         |
| Application of Budget Support Reserve (BSR)   | (4,466,000)         |
| <b>Financing Net Budget</b>   | <b>(71,213,589)</b> |
| <b>Council Tax Requirement</b>  | <b>103,989,759</b>  |
| <b>Council Tax Base in Band D's</b>   | <b>77,386</b>       |
| <b>Relevant Basic Amount of Council Tax</b>   | <b>£1,343.78</b>    |



9.1.3 The Corporate Director of Finance and Systems in accordance with her delegated powers approved the 2020/21 Trafford Council Tax Base (number of equivalent Band D properties in the borough) on 18 January 2020 at 77,386, which is a growth of 387 Band D equivalents on 2019/20. The 2020/21 Council Tax Base for each of the four Parish Councils was also approved as: Partington 1,573, Dunham Massey 230, Warburton 166 and Carrington 125.

## 9.2 Council Tax Increases

9.2.1 The Localism Act 2011 abolished Council Tax capping and replaced it with a requirement to hold a Council Tax Referendum if an authority wishes to increase its “relevant basic amount of Council Tax” by an amount equal to or exceeding a level set out by the Government annually. For 2020/21 a figure of 4% has been set, which is a combination of the core principle of 2% and the ‘adult social care precept’ of 2%.

9.2.2 As highlighted elsewhere in this report, it is proposed to raise the level of council tax in 2020/21 by 3.99%:

- 1.99% general increase in the ‘relevant basic amount’, and
- 2.0% for the ‘Adult Social Care’ precept.

9.2.3 The calculation of the percentage change in “Relevant Basic Amount of Council Tax”, for Trafford Services is shown below :

|  | 2019/20      | 2020/21      |
|--|--------------|--------------|
| Council Tax Base   | 76,999       | 77,386       |
| Council Tax Requirement with Levies (£)                            | 99,499,648   | 103,989,759  |
| Basic Amount of Council Tax (£)<br>(excluding Social Care Precept) | 1,200.20     | 1,225.92     |
| Social Care Precept  | 92.02        | 117.86       |
| Relevant Basic Amount of Council Tax                               | 1,292.22     | 1,343.78     |
| <b>% increase in Relevant Basic Amount<br/>of Council Tax</b>      | <b>3.99%</b> | <b>3.99%</b> |

9.2.4 It is proposed to increase the ‘relevant basic amount’ of Council Tax by 3.99%, which is within the 4% figure set by Government in 2020/21 for social care authorities. As this remains in line with Government policy it would therefore not be deemed ‘excessive’ and as a result there is no requirement to hold a Referendum.

9.2.5 Of the two major precepting bodies, the Mayoral Police & Crime Commissioner is recommending a £10.00 increase in their Band D precept and the Mayoral General Precept (including Fire Services) is proposing an increase of £14.00 on their Band D precept.

9.2.6 Partington Town Council, at its meeting on 6 January 2020, elected to increase the level of Band D Council Tax by £9.54 from £42.50 in 2019/20 to £52.04 in 2020/21. Carrington Parish Council, at its meeting on 17 December 2019, elected to set a Band D Council Tax of £30.00 in 2020/21. However,

Dunham Massey and Warburton Parish Councils have both agreed not to set a Precept in 2020/21.

### 9.3 Council Tax Levels and Bandings

9.3.1 The overall Precepts and Council Tax levels for 2020/21 for Trafford properties are as follows:

| Council Tax per Precepting Body                              | Precept Amount<br>£ | Council Tax per Band D Property<br>£ | Council Tax Level Increase |
|--|---------------------|--------------------------------------|----------------------------|
| Trafford Services (inclusive of 'Adult Social Care Precept') | 103,989,759         | 1,343.78                             | 3.99%                      |
| Mayoral Police and Crime Commissioner (see note)             | 16,119,504          | 208.30                               | £10.00/<br>5.04%           |
| Mayoral General Precept (including Fire Services) (see note) | 7,038,257           | 90.95                                | £14.00/<br>18.19%          |
| <b>Total (excluding Parishes)</b>                            | <b>127,147,520</b>  | <b>1,643.03</b>                      | <b>4.82%</b>               |
| Partington Precept   | 81,859              | 52.04                                | 22.45%                     |
| <b>Total for Partington</b>                                  |                     | <b>1,695.07</b>                      | <b>5.29%</b>               |
| Carrington Precept   | 3,750               | 30.00                                | N/A                        |
| <b>Total for Carrington</b>                                  |                     | <b>1,673.03</b>                      | <b>6.73%</b>               |

9.3.2 Note: The Council Tax figures for the Mayoral Police and Crime Commissioner and Mayoral General Precept (including Fire Services) included above are recommended amounts and are subject to formal approval on 14th February 2020.

9.3.3 The council tax for 2020/21, inclusive of the 'adult social care precept', for each of the eight valuation bands would be as follows:

| <b>Band</b> | <b>Valuation range (in 1991 prices)</b> | <b>Council Tax (Excl. Parishes) £</b> | <b>Council Tax for Partington £</b> | <b>Council Tax for Carrington £</b> |
|-------------|---|---------------------------------------|-------------------------------------|-------------------------------------|
| A           | Up to £40,000                           | 1,095.34                              | 1,130.03                            | 1,115.34                            |
| B           | Over £40,000 and up to £52,000          | 1,277.90                              | 1,318.38                            | 1,301.23                            |
| C           | Over £52,000 and up to £68,000          | 1,460.46                              | 1,506.72                            | 1,487.13                            |
| D           | Over £68,000 and up to £88,000          | 1,643.03                              | 1,695.07                            | 1,673.03                            |
| E           | Over £88,000 and up to £120,000         | 2,008.14                              | 2,071.74                            | 2,044.81                            |
| F           | Over £120,000 and up to £160,000        | 2,373.26                              | 2,448.43                            | 2,416.59                            |
| G           | Over £160,000 and up to £320,000        | 2,738.37                              | 2,825.10                            | 2,788.37                            |
| H           | Over £320,000                           | 3,286.06                              | 3,390.14                            | 3,346.06                            |

## BASE BUDGET ASSUMPTIONS

| Base Budget Assumptions                                 | 2020/21<br>£m | 2021/22<br>£m | 2022/23<br>£m |
|---|---------------|---------------|---------------|
| <b>Service Expenditure</b>                              |               |               |               |
| Pay: Inflation  | 2.0%          | 2.0%          | 2.0%          |
|   | £1.39         | £1.37         | £1.38         |
| Pay: Living Wage  | £2.16         | £1.57         | £1.50         |
| General Inflation: Prices *                             | 0.0%          | 2.0%          | 2.0%          |
|   | £0.00         | £0.20         | £0.21         |
| Contractual Obligations: Inflation Specific e.g. energy | £2.18         | £2.21         | £2.23         |
| Levies: Waste (GMWDA) Levy Increase                     | £(0.75)       | £0.21         | £0.34         |
| Demographics/Care Costs: Children                       | £1.25         | £0.87         | £0.64         |
| Adults  | £3.40         | £1.95         | £2.00         |
| <b>Treasury Management</b>                              |               |               |               |
| Investment Rates  | 0.97%         | 1.20%         | 1.45%         |
| Debt Rates (based on 25 years)                          | 3.48%         | 3.78%         | 4.05%         |
| <b>Funding</b>  |               |               |               |
| Council Tax rate increase (Adult Social Care)           | 2.00%         | 2.00%         | 2.00%         |
| Council Tax rate increase (Relevant Basic Amount)       | 1.99%         | 1.99%         | 1.99%         |
| Council Tax base increase                               | 0.50%         | 1.00%         | 1.00%         |
| <b>Change in Baseline Funding Level :-</b>              |               |               |               |
| Baseline Funding (Core) %                               | 1.63%         | 2.00%         | 2.00%         |
| Baseline Funding (Core) £m                              | £0.58         | £0.73         | £0.74         |
| Baseline Funding (RSG) %                                | 1.63%         | 0.00%         | 0.00%         |
| Baseline Funding (RSG) £m                               | £0.09         | £0.00         | £0.00         |
| Baseline Funding (PH) %                                 | 2.63%         | 0.00%         | 0.00%         |
| Baseline Funding (PH) £m                                | £0.32         | £0.00         | £0.00         |

\* - General Inflation in 20/21 was assumed at 2%, however will be absorbed as part of proposed budget saving.

**Budget Movements & Proposals: Draft Budget Oct 19 to Final Feb 20**

| <b>MOVEMENTS &amp; PROPOSALS</b>                                 | <b>2020/21<br/>£000</b> | <b>2021/22<br/>£000</b> | <b>2022/23<br/>£000</b> | <b>Total<br/>£000</b> |
|--|-------------------------|-------------------------|-------------------------|-----------------------|
| <b>REVISED BUDGET GAP AT DRAFT<br/>(Oct19)</b>                   | <b>720</b>              | <b>9,906</b>            | <b>5,351</b>            | <b>15,977</b>         |
| Changes in cost of Microsoft Office 365 and Additional Security  | (97)                    | 287                     | 0                       | 190                   |
| Living Wage  | 639                     | 48                      | 0                       | 687                   |
| Removal of Traded Services Subsidy (re-classed as Income target) | 483                     | 120                     | 0                       | 603                   |
| Loss of Income (Schools Insurance)                               | 180                     | 0                       | 0                       | 180                   |
| Revenue costs ICT low code solution (cap bid)                    | 0                       | 300                     | 0                       | 300                   |
| Waste Levy   | (979)                   | (292)                   | (165)                   | (1,436)               |
| Home to School Transport   | 62                      | 0                       | 0                       | 62                    |
| Children's Services Salary Costs (P6)                            | 171                     | 0                       | 0                       | 171                   |
| Children's Services Invest to Save                               | 2,899                   | 479                     | (205)                   | 3,173                 |
| Demographic Pressure Children reduced re staff investment        | (300)                   | 0                       | 0                       | (300)                 |
| Increase in General Contingency (re Children Demographic)        | 750                     | 750                     | 750                     | 2,250                 |
| Demographic Pressure Adults                                      | 1,200                   | 0                       | 0                       | 1,200                 |
| Pay and Pension All Service Areas                                | (42)                    | 130                     | 130                     | 218                   |
| Loss of car park income at Regent Rd and Brown St                | 0                       | (236)                   | 320                     | 84                    |
| Reduction in New Home Bonus (provisional settlement)             | 412                     | 0                       | 0                       | 412                   |
| Fair Price of Care   | 200                     | 450                     | 500                     | 1,150                 |
| Change in Treasury Mgt Assumptions                               | (200)                   | 0                       | 0                       | (200)                 |
| Other changes in Budget Assumptions                              | 206                     | 49                      | 6                       | 261                   |
| <b>CHANGES TO BUDGET ASSUMPTIONS</b>                             | <b>5,584</b>            | <b>2,085</b>            | <b>1,336</b>            | <b>9,005</b>          |
| Reduce Council Tax Taxbase to 0.50% from 0.75%                   | 255                     | 13                      | 15                      | 283                   |
| Impact of Fair Funding Review on Baseline Funding                |                         | 500                     | 500                     | 1,000                 |
| Adjustment in Bus Rates Prov Settlement                          | (267)                   | 267                     |                         | 0                     |
| Reduction Bus Rates in RV (part of Robustness exercise)          | 643                     | (643)                   |                         | 0                     |
| One off Contribution from Bus Rates Risk Reserve (to meet above) | (643)                   | 643                     |                         | 0                     |
| Council Tax surplus previous year's final adjustment             | (29)                    | 29                      |                         | 0                     |
| Business Rates indexation adjustments to Baseline future years   |                         | 179                     | 1                       | 180                   |
| <b>CHANGES TO FUNDING (NON POLICY CHOICE)</b>                    | <b>(41)</b>             | <b>988</b>              | <b>516</b>              | <b>1,463</b>          |

| <b>MOVEMENTS &amp; PROPOSALS</b>  | <b>2020/21<br/>£000</b> | <b>2021/22<br/>£000</b> | <b>2022/23<br/>£000</b> | <b>Total<br/>£000</b> |
|---|-------------------------|-------------------------|-------------------------|-----------------------|
| Contribution from Budget Support Reserves   | (3,866)                 | 3,866                   |                         | 0                     |
| <b>CHANGES TO FUNDING (POLICY CHOICE)</b>   | <b>(3,866)</b>          | <b>3,866</b>            | <b>0</b>                | <b>0</b>              |
| Reversal of proposal to extend the hours of operation of on-street parking            | 30                      |                         |                         | 30                    |
| Environmental Health income saving – remove £5k from 21/22                            |                         | 5                       |                         | 5                     |
| Increase in borrowing cost Investment Property  | 111                     |                         |                         | 111                   |
| New Investment Strategy Debt Arrangement  | (1,100)                 | (500)                   | (200)                   | (1,800)               |
| Traded Services offset pay/contract inflation with income (Catering and Cleaning)     | (483)                   | (120)                   | (120)                   | (723)                 |
| Traded Services offset pay/contract inflation with income (non-Catering and Cleaning) | 0                       | (219)                   | (225)                   | (444)                 |
| Assumptions on Treasury Mgt Interest was income saving                                | 200                     |                         |                         | 200                   |
| <b>CHANGES TO INCOME PROPOSALS</b>  | <b>(1,242)</b>          | <b>(834)</b>            | <b>(545)</b>            | <b>(2,621)</b>        |
| Return on Advanced Pension Payment reduced 1.2% to 1% and savings on actuals          | 32                      |                         |                         | 32                    |
| Children's Placements   | (1,200)                 | (1,000)                 | (1,000)                 | (3,200)               |
| 10% Reduction in running costs Central Services adjustment                            | 13                      |                         |                         | 13                    |
| <b>CHANGES TO SAVINGS PROPOSALS</b>   | <b>(1,155)</b>          | <b>(1,000)</b>          | <b>(1,000)</b>          | <b>(3,155)</b>        |
| <b>TOTAL CHANGES TO INCOME AND SAVINGS PROPOSALS</b>                                  | <b>(2,397)</b>          | <b>(1,834)</b>          | <b>(1,545)</b>          | <b>(5,776)</b>        |
| <b>REVISED BUDGET GAP (Feb 20)</b>  | <b>0</b>                | <b>15,011</b>           | <b>5,658</b>            | <b>20,669</b>         |

**Business Rates Retention GM Pilot**

**Annex C**

**Business Rates Benefit Calculation 2019/2020 to 2022/2023**

|  | 2019/20<br>£       | 2020/21<br>£       | 2021/22<br>£       | 2022/23<br>£       |
|--|--------------------|--------------------|--------------------|--------------------|
| Gross Rates Payable  | 184,114,380        | 186,028,108        | 191,613,948        | 195,363,731        |
| Transitional Adjustments and Mandatory & Discretionary Reliefs | (18,530,213)       | (19,231,360)       | (19,278,834)       | (19,664,411)       |
| <b>NET RATES PAYABLE</b>                                       | <b>165,584,167</b> | <b>166,796,748</b> | <b>172,335,113</b> | <b>175,699,321</b> |
| Accounting Adjustments (Appeals & BDP) & Cost of Collection    | (10,028,942)       | (10,742,245)       | (13,277,073)       | (13,538,091)       |
| <b>NNDR Income</b>   | <b>155,555,225</b> | <b>156,054,503</b> | <b>159,058,040</b> | <b>162,161,230</b> |
| Local Share  | 153,999,672        | 154,493,958        | 157,467,460        | 160,539,618        |
| Tariff   | (94,589,988)       | (96,010,529)       | (98,844,824)       | (101,177,043)      |
| <b>Retained Business Rates</b>                                 | <b>59,409,684</b>  | <b>58,483,429</b>  | <b>58,622,636</b>  | <b>59,362,575</b>  |
| <b>Baseline Funding Level (BFL)</b>                            | <b>53,196,876</b>  | <b>54,184,267</b>  | <b>54,912,630</b>  | <b>55,655,560</b>  |
| Growth   | 6,212,808          | 4,299,161          | 3,710,006          | 3,707,015          |
| SAICA Renewable Energy   | 81,648             | 82,944             | 84,947             | 86,646             |
| Section 31 Compensation Grants                                 | 10,501,619         | 10,832,326         | 10,392,124         | 10,675,956         |
| National Levy Rebate   | 549,761            | 0                  |                    |                    |
| <b>Growth/(Decline) to Baseline</b>                            | <b>17,345,836</b>  | <b>15,214,431</b>  | <b>14,187,077</b>  | <b>14,469,616</b>  |
| GM Pilot 'No Detriment' Over Payment                           | (10,470,846)       | (9,019,836)        | (8,789,346)        | (8,932,590)        |
| GM Pilot 'No Detriment' Over Payment Rebate                    | 5,235,423          | 4,509,918          | 4,394,673          | 4,466,295          |
| <b>Business Rates Benefit over BFL</b>                         | <b>12,110,413</b>  | <b>10,704,513</b>  | <b>9,792,404</b>   | <b>10,003,321</b>  |
| Release of Prior Year Surplus/ (Collection of Deficit)         | 1,181,215          | (4,915,710)        |                    |                    |
| Contribution from reserves                                     |                    | 5,558,527          |                    |                    |
| Business Rates Growth Reset                                    |                    |                    | (9,707,457)        | (9,916,675)        |
| <b>Business Rates Growth</b>                                   | <b>13,291,628</b>  | <b>11,347,330</b>  | <b>84,947</b>      | <b>86,646</b>      |

**Total Benefit from Business Rates**

| <b>Table 5: Benefit from Business Rates</b> | 2019/20<br>£000's | 2020/21<br>£000's | 2021/22<br>£000's | 2022/23<br>£000's |
|---|-------------------|-------------------|-------------------|-------------------|
| Core Baseline Funding                       | 35,834            | 36,418            | 37,147            | 37,890            |
| Revenue Support Grant                       | 5,299             | 5,385             | 5,385             | 5,385             |
| Public Health Grant                         | 12,064            | 12,381            | 12,381            | 12,381            |
| <b>Total Baseline Funding Level (BFL)</b>   | <b>53,197</b>     | <b>54,184</b>     | <b>54,913</b>     | <b>55,656</b>     |
| Business Rates Growth (detail above)        | 13,292            | 11,347            | 85                | 87                |

|  |               |               |                |               |
|--|---------------|---------------|----------------|---------------|
| Assumptions on Transitional Protection   |               |               | 8,256          | 6,804         |
| Assumption on Growth Post Reset          |               |               | 1,000          | 1,000         |
| <b>Business Rates Benefit over BFL</b>   | <b>13,292</b> | <b>11,347</b> | <b>9,341</b>   | <b>7,891</b>  |
| <b>Total Benefit from Business Rates</b> | <b>66,489</b> | <b>65,532</b> | <b>64,253</b>  | <b>63,546</b> |
| <b>Yearly Change</b>                     |               |               |                |               |
| Change in BFL                            |               | 987           | 728            | 743           |
| Change in Business Rates Benefit         |               | (1,944)       | (2,006)        | (1,450)       |
| <b>Yearly Change</b>                     |               | <b>(957)</b>  | <b>(1,278)</b> | <b>(707)</b>  |

Total reduction in Business Rates -£957k - £1,278k - £707k= £2,942k



## Income &amp; Savings Proposals 2020/23

| Theme/Title  | Service Area | Status(New/Existing) | 2020/21<br>£000's | 2021/22<br>£000's | 2022/23<br>£000's | Description of Saving  |
|--|--------------|----------------------|-------------------|-------------------|-------------------|--|
| <b>Fundamentally Reshaping Our Services</b>              |              |                      |                   |                   |                   |  |
| Children's Placements                                    | Children's   | New                  | (1,200)           | (1,000)           | (1,000)           | Investment in early intervention estimated to reduce the forecast demographic growth and therefore placement costs                                     |
| Person Centred (Reshaping)                               | Adults       | New                  | (301)             |                   |                   | Continuation and roll out of the let's talk and right care for you approach to promote independence and support better outcomes                        |
| Liberty Protection Safeguards (LPS)/Portal (Reshaping)   | Adults       | New                  | (200)             |                   |                   | The implementation of the LPS scheme and a whole system portal which will drive through efficiencies and costs savings.                                |
| <b>Sub-Total</b>   |              |                      | <b>(1,701)</b>    | <b>(1,000)</b>    | <b>(1,000)</b>    |  |
| <b>Be More Commercial</b>                                |              |                      |                   |                   |                   |  |
| New Investment Income                                    | Place        | New                  | (5,020)           | 2,824             | 1,090             | Estimated income in the form of new rents and loan repayments from assets held as part of the Council's new investment portfolio, net of MRP payments. |
| Car Parking  | Place        | New                  | (114)             |                   |                   | Car Parking - additional enforcement and reduced cashless parking transaction contract costs   |
| Environmental Health - Increase Income from HMO Licences | Place        | Existing             | (5)               |                   |                   | Income already being received above current budget – e.g. HMO licences, (costs recoverable from third parties).  |

|   |            |          |                |              |            |   |
|---|------------|----------|----------------|--------------|------------|---|
| Early Repayment of Suppliers Discount   | CW         | Existing | (10)           | (10)         | 0          | Review of procedures around invoice payments to maximise potential of supplier discounts  |
| Traded Services - 5 % price rises planned 19/20 and 20/21 (catering and cleaning) | Central    | New      | (483)          | (339)        | (345)      | Smoothing of price levels to fully recover National Living Wage costs   |
| New Strategic Investment  | CW         | Existing |                | (67)         |            | Loan interest receivable from strategic investments   |
| <b>Sub-Total</b>  |            |          | <b>(5,632)</b> | <b>2,408</b> | <b>745</b> |   |
| <b>Delivering More of Our Own Services</b>  |            |          |                |              |            |   |
| LD supported living   | Adults     | New      | (122)          |              |            | To maximise the current service capacity within the in-house Supported Living Service.  |
| Legal advocacy - in house   | Central    | New      | (50)           |              |            | Efficiency saving from reduced use of external providers  |
| Increase in income from our strategic investments                                 | CW         | Existing | (500)          |              |            | Additional dividend from our strategic investments  |
| <b>Sub-Total</b>  |            |          | <b>(672)</b>   | <b>0</b>     | <b>0</b>   |   |
| <b>Health and Social Care Integration</b>   |            |          |                |              |            |   |
| Homecare Pilot  | Adults     | New      | (619)          |              |            | A number of pilots which will trial new ways of working, supporting positive outcomes for service users with financial benefits for the Council                                       |
| Market Management   | Adults     | New      | (68)           |              |            | Pursuing alternative purchasing arrangements with providers.  |
| Review of Children's Placements   | Children's | New      | (315)          |              |            | Pursuing options that will allow Children currently placed outside of the borough in high cost external placements to return to appropriate placement/packages of support in Trafford |

|  |         |          |                 |              |              |   |
|--|---------|----------|-----------------|--------------|--------------|---|
| <b>Sub-Total</b>   |         |          | <b>(1,002)</b>  | <b>0</b>     | <b>0</b>     |   |
| <b>Other Corporate Efficiencies</b>                                      |         |          |                 |              |              |   |
| Insurance premium saving   | CW      | New      | (50)            |              |              | A reduction in the cost of council insurance premiums   |
| Exchequer billing costs - move to online                                 | Central | Existing | (80)            |              |              | Reduction in printing, stationery and postage costs already being achieved  |
| Review of grounds maintenance  | Place   | New      | (40)            |              |              | Reduced grounds maintenance and promotion of wildflower areas   |
| 10% reduction in running costs   | All     | New      | (237)           |              |              | A reduction in non-contractual general running cost budgets   |
| Advance Pension Payment  | CW      | Existing | (725)           |              |              | A saving generated in pension contributions payable to GM Pension Fund as a result of paying contributions up-front |
| Voluntary Sector Grants - use of smoothing reserve in 2019/20 - Reversal | Central | Existing | 100             |              |              | Reversal of one-off use of reserves in 2019/20  |
| Coroners Saving Toxicology Contract                                      | CW      | New      | (16)            |              |              | Contractual savings   |
| <b>Sub-Total</b>   |         |          | <b>(1,048)</b>  | <b>0</b>     | <b>0</b>     |   |
|  |         |          |                 |              |              |   |
| <b>Grand Total</b>   |         |          | <b>(10,055)</b> | <b>1,408</b> | <b>(255)</b> |   |

## 2020/21 Subjective Budget Analysis

|  | CHILDREN<br>£000's | ADULTS<br>£000's | PLACE<br>£000's | GOV<br>AND CS<br>£000's | FINANCE<br>&<br>SYSTEMS<br>£000's | PEOPLE<br>&<br>TRADED<br>£000's | COUNCIL-<br>WIDE<br>£000's | FUNDING<br>&<br>RESERVES<br>£000's | TOTAL<br>£000's |
|--|--------------------|------------------|-----------------|-------------------------|-----------------------------------|---------------------------------|----------------------------|------------------------------------|-----------------|
| <b>NET BUDGET Brought Forward</b>              | <b>36,081</b>      | <b>60,526</b>    | <b>34,862</b>   | <b>7,840</b>            | <b>7,483</b>                      | <b>3,205</b>                    | <b>19,940</b>              |                                    | <b>169,937</b>  |
| <u>Budget Pressures :</u>                      |                    |                  |                 |                         |                                   |                                 |                            |                                    |                 |
| Pay  | 883                | 262              | 213             | 141                     | 154                               | 264                             | 395                        |                                    | <b>2,312</b>    |
| Living Wage                                    | 24                 | 2,037            | 100             | 0                       | 0                                 | 0                               | 0                          |                                    | <b>2,161</b>    |
| General Inflation                              | 0                  | 0                | 0               | 0                       | 0                                 | 0                               | 0                          |                                    | <b>0</b>        |
| Contractual Inflation & Obligations            | 294                | 871              | 806             | 27                      | 42                                | 141                             | 0                          |                                    | <b>2,181</b>    |
| Levies   | 0                  | 0                | (479)           | 0                       | 0                                 | 0                               | (274)                      |                                    | <b>(753)</b>    |
| Demographics/ Care Costs/ Social Worker        | 1,249              | 3,400            | 0               | 0                       | 0                                 | 0                               | 0                          |                                    | <b>4,649</b>    |
| Grants, Legislative & Service Transfers        | 0                  | (5,757)          | 0               | 0                       | 0                                 | 0                               | 1,114                      |                                    | <b>(4,643)</b>  |
| Loss of Income                                 | 0                  | 0                | 0               | 0                       | 0                                 | 0                               | 0                          |                                    | <b>0</b>        |
| Treasury Management                            | 0                  | 0                | 0               | 0                       | 0                                 | 0                               | (798)                      |                                    | <b>(798)</b>    |
| Policy Choice Investment                       | 0                  | 0                | 0               | 0                       | 0                                 | 0                               | 0                          |                                    | <b>0</b>        |
| Other  | 4,999              | 1,409            | 428             | 95                      | 1,242                             | 232                             | 1,807                      |                                    | <b>10,212</b>   |
| <b>Total Budget Pressures</b>                  | <b>7,449</b>       | <b>2,222</b>     | <b>1,068</b>    | <b>263</b>              | <b>1,438</b>                      | <b>637</b>                      | <b>2,244</b>               |                                    | <b>15,321</b>   |
| <u>Budget Savings</u>                          |                    |                  |                 |                         |                                   |                                 |                            |                                    |                 |
| Income Generation                              | 0                  | 0                | (119)           | 0                       | 0                                 | (483)                           | (5,520)                    |                                    | <b>(6,122)</b>  |
| Savings Proposals Efficiencies & Policy Choice | (1,605)            | (1,343)          | (69)            | 10                      | (109)                             | (16)                            | (801)                      |                                    | <b>(3,933)</b>  |
| <b>Total Approved Budget Proposals</b>         | <b>(1,605)</b>     | <b>(1,343)</b>   | <b>(188)</b>    | <b>10</b>               | <b>(109)</b>                      | <b>(499)</b>                    | <b>(6,321)</b>             |                                    | <b>(10,055)</b> |
| <b>PROPOSED NET BUDGET</b>                     | <b>41,925</b>      | <b>61,405</b>    | <b>35,742</b>   | <b>8,113</b>            | <b>8,812</b>                      | <b>3,343</b>                    | <b>15,863</b>              | <b>0</b>                           | <b>175,203</b>  |

|   | CHILDREN<br>£000's | ADULTS<br>£000's | PLACE<br>£000's | GOV<br>AND CS<br>£000's | FINANCE<br>&<br>SYSTEMS<br>£000's | PEOPLE<br>&<br>TRADED<br>£000's | COUNCIL-<br>WIDE<br>£000's | FUNDING<br>&<br>RESERVES<br>£000's | TOTAL<br>£000's  |
|---|--------------------|------------------|-----------------|-------------------------|-----------------------------------|---------------------------------|----------------------------|------------------------------------|------------------|
| <b>Funding:</b>   |                    |                  |                 |                         |                                   |                                 |                            |                                    |                  |
| Council Tax   |                    |                  |                 |                         |                                   |                                 |                            | (100,000)                          | <b>(100,000)</b> |
| Council Tax - 1.99% General Increase                        |                    |                  |                 |                         |                                   |                                 |                            | (1,990)                            | <b>(1,990)</b>   |
| Council Tax - 2% Adult Social Care Increase                 |                    |                  |                 |                         |                                   |                                 |                            | (2,000)                            | <b>(2,000)</b>   |
| C Tax Prior Year Collection Fund<br>(Surplus)/Deficit       |                    |                  |                 |                         |                                   |                                 |                            | (1,216)                            | <b>(1,216)</b>   |
| Business Rates: Local Share                                 |                    |                  |                 |                         |                                   |                                 |                            | (150,195)                          | <b>(150,195)</b> |
| Business Rates: Tariff Payment                              |                    |                  |                 |                         |                                   |                                 |                            | 96,011                             | <b>96,011</b>    |
| Business Rates: Growth Assumptions, S31<br>Grants, GM Pilot |                    |                  |                 |                         |                                   |                                 |                            | (11,347)                           | <b>(11,347)</b>  |
| <b>Funding Total</b>  |                    |                  |                 |                         |                                   |                                 |                            | <b>(170,737)</b>                   | <b>(170,737)</b> |
| <b>PROPOSED FUNDING</b>                                     |                    |                  |                 |                         |                                   |                                 |                            | <b>(170,737)</b>                   | <b>(170,737)</b> |
| <u>Additional Use of Reserves:</u>                          |                    |                  |                 |                         |                                   |                                 |                            |                                    |                  |
| Budget Support Reserve                                      |                    |                  |                 |                         |                                   |                                 |                            | (4,466)                            | <b>(4,466)</b>   |
| <b>Movement in Reserves Total</b>                           |                    |                  |                 |                         |                                   |                                 |                            | <b>(4,466)</b>                     | <b>(4,466)</b>   |
| <b>FUNDING FROM RESERVES</b>                                |                    |                  |                 |                         |                                   |                                 |                            | <b>(4,466)</b>                     | <b>(4,466)</b>   |
|   |                    |                  |                 |                         |                                   |                                 |                            |                                    |                  |
| <b>BUDGET GAP</b>   |                    |                  |                 |                         |                                   |                                 |                            |                                    | <b>0</b>         |

## Details of Reserves by Category

| CATEGORY                               | RESERVE NAME  | BALANCE AT<br>31st MARCH<br>2019 | TOTAL<br>COMMITTED<br>19/20 to 21/22<br>£000 | BALANCE<br>AFTER<br>COMMITMENT<br>(UNDER)/ OVER<br>£000 | TOTAL<br>TRANSFERS<br>19/20 to 21/22<br>£000 | REVISED<br>BALANCE<br>£000 |
|--|---|----------------------------------|--|---|--|----------------------------|
| Budget Resilience                      | MAG Dividend  | (3,283)                          | 0  | (3,283)   | 2,733  | (550)                      |
| Budget Resilience                      | Budget Support  | (5,484)                          | 5,890  | 406   | (4,733)                                      | (4,327)                    |
| Budget Resilience                      | Bus Reform  | 0                                | 0  | 0   | 0  | 0                          |
| Budget Resilience                      | Business Rate Growth Pilot Reserve<br>(Trans to BR Risk)  | (3,776)                          | 0  | (3,776)   | 3,776  | 0                          |
| Budget Resilience                      | Business Rate Risk Reserve                                | (5,000)                          | 2,218  | (2,782)   | (1,776)                                      | (4,558)                    |
| Budget Resilience                      | Insurance Reserve   | (1,870)                          | 0  | (1,870)   | 0  | (1,870)                    |
| Budget Resilience                      | Earmark Gen - Employment<br>Rationalisation               | (1,444)                          | 0  | (1,444)   | 444  | (1,000)                    |
| Budget Resilience                      | Housing Benefit Overpayment Reserve                       | (427)                            | 227  | (200)   | 0  | (200)                      |
| Budget Resilience                      | High Needs Support Reserve                                | (572)                            | 104  | (468)   | 468  | 0                          |
| Budget Resilience                      | Timperley Sports Club Synthetic Pitch                     | (63)                             | (45)   | (108)   | 0  | (108)                      |
| Budget Resilience                      | Earmark Gen - Legal Expenses                              | (178)                            | 178  | 0   | 0  | 0                          |
| Budget Resilience                      | Earmark Gen - Local Search Litigation<br>Costs Settlement | (100)                            | 100  | 0   | 0  | 0                          |
| Budget Resilience                      | Earmark Gen - Civic vehicle reserve                       | (32)                             | 32   | 0   | 0  | 0                          |
| Budget Resilience                      | Smoothing - Waste Levy                                    | (1,075)                          | 736  | (339)   | 0  | (339)                      |
| Budget Resilience                      | Smoothing - Winter Maintenance                            | (120)                            | 0  | (120)   | 0  | (120)                      |
| Budget Resilience                      | Smoothing - Elections                                     | (247)                            | 247  | 0   | 0  | 0                          |
| Budget Resilience                      | Smoothing - Interest Rate                                 | (1,291)                          | (282)  | (1,573)   | 0  | (1,573)                    |
| Budget Resilience                      | Exchequer Services Reserve                                | (185)                            | 185  | 0   | 0  | 0                          |
| Budget Resilience                      | Members IT Reserve  | (70)                             | 70   | 0   | 0  | 0                          |
| Budget Resilience                      | EU Exit Funding Reserve                                   | (105)                            | 0  | (105)   | 0  | (105)                      |
| <b>Sub-Total Budget<br/>Resilience</b> |   | <b>(25,322)</b>                  | <b>9,660</b>                                 | <b>(15,662)</b>   | <b>912</b>                                   | <b>(14,750)</b>            |
| Strategic Priority                     | Investment Fund   | 0                                | 0  | 0   | 0  | 0                          |
| Strategic Priority                     | Transformation Fund                                       | (943)                            | 943  | 0   | 0  | 0                          |

| CATEGORY                            | RESERVE NAME   | BALANCE AT 31st MARCH 2019 | TOTAL COMMITTED 19/20 to 21/22 £000 | BALANCE AFTER COMMITMENT (UNDER)/ OVER £000 | TOTAL TRANSFERS 19/20 to 21/22 £000 | REVISED BALANCE £000 |
|-------------------------------------|--|----------------------------|-------------------------------------|---|-------------------------------------|----------------------|
| Strategic Priority                  | Transformation Fund Match Funding Reserve                                  | (4,154)                    | 4,154                               | 0   | 0                                   | 0                    |
| Strategic Priority                  | Strategic Investment Fund Risk Reserve                                     | (189)                      | (2,924)                             | (3,113)                                     | 0                                   | (3,113)              |
| Strategic Priority                  | Leisure Centres Refurbishment Reserve                                      | (150)                      | (600)                               | (750)                                       | (518)                               | (1,268)              |
| Strategic Priority                  | Children's Action Fund Reserve   | (1,500)                    | 1,500                               | 0   | 0                                   | 0                    |
| Strategic Priority                  | Major Projects Reserve Abortive costs and DSG Academy Trans                | (609)                      | 522                                 | (87)  | (468)                               | (555)                |
| <b>Sub-Total Strategic Priority</b> |  | <b>(7,545)</b>             | <b>3,595</b>                        | <b>(3,950)</b>                              | <b>(986)</b>                        | <b>(4,936)</b>       |
| Corporate                           | NDR Deficit Reserve  | (1,040)                    | 1,041                               | 1   | 0                                   | 1                    |
| Corporate                           | NDR Levy Reserve   | (550)                      | 550                                 | 0   | 0                                   | 0                    |
| Corporate                           | Star Procurement Earmarked Reserve   | (711)                      | 227                                 | (484)                                       | 0                                   | (484)                |
| Corporate                           | Planning Income Reserve  | (222)                      | 0                                   | (222)                                       | 0                                   | (222)                |
| Corporate                           | Prepaid Rev Grants Res (IFRS)  | 0                          | 0                                   | 0   | 0                                   | 0                    |
| Corporate                           | General Reserve  | (7,000)                    | 0                                   | (7,000)                                     | 0                                   | (7,000)              |
| <b>Sub-Total Corporate</b>          |  | <b>(9,523)</b>             | <b>1,818</b>                        | <b>(7,705)</b>                              | <b>0</b>                            | <b>(7,705)</b>       |
| Service Area Priority               | Earmark Gen - ICT Development  | (299)                      | 482                                 | 183   | (183)                               | 0                    |
| Service Area Priority               | Economic Development Earmark Gen - Libraries and Customer Services Reserve | (844)                      | 844                                 | 0   | 0                                   | 0                    |
| Service Area Priority               | Earmark Gen - Vol Sec Grants Reserve                                       | (106)                      | 106                                 | 0   | 0                                   | 0                    |
| Service Area Priority               | Earmark Gen - Community Safety   | (222)                      | 148                                 | (74)  | 74                                  | 0                    |
| Service Area Priority               | Earmark Gen - LAA Performance Reward Grant                                 | (337)                      | 337                                 | 0   | 0                                   | 0                    |
| Service Area Priority               | One Trafford Partnership Reserve   | (115)                      | 115                                 | 0   | 0                                   | 0                    |
| Service Area Priority               | Sports Partnership Reserve   | (2,106)                    | 2,106                               | 0   | 0                                   | 0                    |
| Service Area Priority               | Earmarked Service C/fwd <b>CFW</b>   | (145)                      | 145                                 | 0   | 0                                   | 0                    |
| Service Area Priority               | Earmarked Service C/fwd <b>PLACE</b>                                       | (764)                      | 764                                 | 0   | 0                                   | 0                    |
| Service Area Priority               | Earmarked Service C/fwd <b>CENTRAL</b>                                     | (739)                      | 739                                 | 0   | 0                                   | 0                    |
| Service Area Priority               | Earmarked Service C/fwd <b>CENTRAL</b>                                     | 0                          | 0                                   | 0   | 0                                   | 0                    |
| Service Area Priority               | Earmarked Service C/fwd <b>G &amp; CS</b>                                  | (62)                       | 62                                  | 0   | 0                                   | 0                    |

| CATEGORY                               | RESERVE NAME                              | BALANCE AT 31st MARCH 2019 | TOTAL COMMITTED 19/20 to 21/22 £000 | BALANCE AFTER COMMITMENT (UNDER)/ OVER £000 | TOTAL TRANSFERS 19/20 to 21/22 £000 | REVISED BALANCE £000 |
|--|---|----------------------------|-------------------------------------|---|-------------------------------------|----------------------|
| Service Area Priority                  | Earmarked Service C/fwd <b>F &amp; S</b>  | (669)                      | 486                                 | (183)                                       | 183                                 | 0                    |
| Service Area Priority                  | Earmarked Service C/fwd <b>P &amp; TS</b> | (613)                      | 613                                 | 0   | 0                                   | 0                    |
| Service Area Priority                  | Traded Services Reserve                   | (383)                      | 383                                 | 0   | 0                                   | 0                    |
| <b>Sub-Total Service Area Priority</b> |   | <b>(7,404)</b>             | <b>7,330</b>                        | <b>(74)</b>                                 | <b>74</b>                           | <b>0</b>             |
| <b>SUB-TOTAL Earmarked Reserves</b>    |   | <b>(49,794)</b>            | <b>22,403</b>                       | <b>(27,391)</b>                             | <b>0</b>                            | <b>(27,391)</b>      |
|  | Capital Related Reserves                  | (11,994)                   |                                     |   |                                     |                      |
|  | School Related Reserves                   | (10,559)                   |                                     |   |                                     |                      |
|  | <b>SUB-TOTAL</b>                          | <b>(22,553)</b>            |                                     |   |                                     |                      |
|  | <b>TOTAL USABLE RESERVES</b>              | <b>(72,347)</b>            |                                     |   |                                     |                      |



## Service Area Priority Reserves Programme

| Council Priority             | Commitment Type       | Directorate | Scheme Title   | Plan<br>£ | 2019/2020<br>£ | 2020/2021<br>£ | 2021/2022<br>£ |
|------------------------------|-----------------------|-------------|--|-----------|----------------|----------------|----------------|
| Successful & Thriving Places | Contingency           | Place       | Masterplan and Feasibility to Support the Asset Investment Strategy                          | 232,360   | 98,360         | 67,000         | 67,000         |
| Successful & Thriving Places | Base Budget           | Place       | Commission Affordable Housing Needs Assessment (to support GMSF work) - use LDF(in reserves) | 12,688    | 12,688         | 0              | 0              |
| Successful & Thriving Places | Contractual           | Place       | Sale Moor and Hale Place Plan  | 47,357    | 47,357         | 0              | 0              |
| Successful & Thriving Places | Contractual           | Place       | Trafford Wharfside Development Framework   | 20,000    | 20,000         | 0              | 0              |
| Successful & Thriving Places | Contractual           | Place       | Partington Masterplan  | 20,000    | 20,000         | 0              | 0              |
| Successful & Thriving Places | Contractual           | Place       | GMSF Evidence base and examination costs   | 111,284   | 111,284        | 0              | 0              |
| Successful & Thriving Places | Contractual           | Place       | GMSF Technical and Feasibility Assessments   | 43,414    | 43,414         | 0              | 0              |
| Successful & Thriving Places | Ring Fenced Grant/Bid | Place       | Town Centre Initiatives  | 74,231    | 74,231         | 0              | 0              |
| Successful & Thriving Places | Base Budget           | Place       | Trafford Local Plan  | 46,085    | 46,085         | 0              | 0              |
| Successful & Thriving Places | Statutory             | Place       | Local Plan Examination 2020/21   | 150,000   | 0              | 150,000        | 0              |
| Successful & Thriving Places | Contingency           | Place       | Trafford Local Industrial Strategy   | 30,000    | 30,000         | 0              | 0              |
| Successful & Thriving Places | Base Budget           | Place       | Temporary Support to Outdoor Media Income  | 41,619    | 41,619         | 0              | 0              |
| Successful & Thriving Places | Contractual           | Place       | Empress car park fly tipping removal   | 10,000    | 10,000         | 0              | 0              |
| Successful & Thriving Places | Contingency           | Place       | Environmental Improvement Works - Sale Water Park  | 16,434    | 16,434         | 0              | 0              |
| Successful & Thriving Places | Base Budget           | Place       | Interim Staff Costs - One Trafford Partnership   | 331,236   | 331,236        | 0              | 0              |

| Council Priority             | Commitment Type       | Directorate      | Scheme Title  | Plan<br>£ | 2019/2020<br>£ | 2020/2021<br>£ | 2021/2022<br>£ |
|------------------------------|-----------------------|------------------|---|-----------|----------------|----------------|----------------|
| Successful & Thriving Places | Base Budget           | Place            | Interim Staff Costs - Building Control  | 43,350    | 43,350         | 0              | 0              |
| Successful & Thriving Places | Ring Fenced Grant/Bid | Place            | Pedestrian Crossing Surveys (Match Funding of TFGM Bid - Cycleways)           | 52,299    | 52,299         | 0              | 0              |
| Successful & Thriving Places | Capital Programme     | Central Services | Libraries ICT and other capital improvements                                  | 106,303   | 106,303        | 0              | 0              |
| Successful & Thriving Places | Contingency           | Central Services | Voluntary Sector Grants Programme   | 147,627   | 47,627         | 50,000         | 50,000         |
| Successful & Thriving Places | Base Budget           | Central Services | Locality Board Initiatives  | 15,463    | 15,463         | 0              | 0              |
| Successful & Thriving Places | Base Budget           | Central Services | One off support to the 19/20 revenue budget from LAA Performance Reserve      | 100,000   | 100,000        | 0              | 0              |
| Successful & Thriving Places | Contractual           | Place            | Residential and Commercial developments - Highway S37/38 fees                 | 165,653   | 165,653        | 0              | 0              |
| Successful & Thriving Places | Capital Programme     | Place            | Residential Parking Schemes   | 500,000   | 500,000        | 0              | 0              |
| Successful & Thriving Places | Contractual           | Place            | MUFC Traffic Mgt  | 100,000   | 100,000        | 0              | 0              |
| Successful & Thriving Places | Contingency           | Place            | Maintenance of Public Conveniences  | 104,061   | 104,061        | 0              | 0              |
| Successful & Thriving Places | Base Budget           | Central Services | Invest to Save/income generation business cases re Arts Centre                | 1,000     | 1,000          | 0              | 0              |
| Successful & Thriving Places | Contractual           | Central Services | GMSS Firewall Licence renewal   | 42,000    | 42,000         | 0              | 0              |
| Successful & Thriving Places | Contractual           | Central Services | GMSS Recruitment Interface  | 16,000    | 16,000         | 0              | 0              |
| Successful & Thriving Places | Contractual           | Central Services | On-line consultation portal (Citizen Space)                                   | 15,990    | 15,990         | 0              | 0              |
| Successful & Thriving Places | Contractual           | Central Services | Capital Project Support   | 57,500    | 57,500         | 0              | 0              |
| Successful & Thriving Places | Ring Fenced Grant/Bid | Central Services | iTrent licences for changes to pension processing and Contact 360 development | 80,337    | 80,337         | 0              | 0              |
| Successful & Thriving Places | Base Budget           | Central Services | HR restructure - 1 year support   | 100,000   | 100,000        | 0              | 0              |
| Successful & Thriving Places | Base Budget           | Central Services | Communications apprentice   | 12,000    | 12,000         | 0              | 0              |

| Council Priority                                  | Commitment Type       | Directorate        | Scheme Title  | Plan<br>£        | 2019/2020<br>£   | 2020/2021<br>£ | 2021/2022<br>£ |
|---|-----------------------|--------------------|---|------------------|------------------|----------------|----------------|
| Successful & Thriving Places                      | Base Budget           | Central Services   | Flixton House marketing manager and other temporary base budget support | 57,332           | 57,332           | 0              | 0              |
| Successful & Thriving Places                      | Contingency           | Central Services   | Staff/training commitments (RIF funding c/f 18/19)                      | 79,625           | 79,625           | 0              | 0              |
| Successful & Thriving Places                      | Contingency           | Central Services   | Continuing Training Programmes  | 65,000           | 65,000           | 0              | 0              |
| Successful & Thriving Places                      | Base Budget           | Central Services   | EBP system developments inc Front line scanning solution                | 97,889           | 97,889           | 0              | 0              |
| Successful & Thriving Places                      | Base Budget           | Central Services   | GMSS ICT update charge  | 50,268           | 50,268           | 0              | 0              |
| Successful & Thriving Places                      | Base Budget           | Central Services   | Financial Management Temporary base budget support                      | 237,510          | 79,170           | 79,170         | 79,170         |
| Successful & Thriving Places                      | Contingency           | Place              | LED conservation areas  | 3,000            | 3,000            | 0              | 0              |
| Successful & Thriving Places                      | Contractual           | Place              | Transformation and Modernisation  | 350,000          | 350,000          | 0              | 0              |
| Successful & Thriving Places                      | Contingency           | Central Services   | Apprenticeship Programme  | 84,178           | 84,178           | 0              | 0              |
| Successful & Thriving Places                      | Contingency           | Central Services   | Graduate Training Programme   | 36,090           | 36,090           | 0              | 0              |
| Successful & Thriving Places                      | Base Budget           | Central Services   | GMSS Apprentice   | 23,000           | 23,000           | 0              | 0              |
| Successful & Thriving Places                      | Contingency           | Central Services   | Banking costs to future years   | 4,218            | 4,218            | 0              | 0              |
| <b>Sub-Total Successful &amp; Thriving Places</b> |                       |                    |   | <b>3,934,401</b> | <b>3,392,061</b> | <b>346,170</b> | <b>196,170</b> |
| Children and Young People                         | Base Budget           | Traded Services    | Support from reserves smoothing re base budget subsidy                  | 238,840          | 238,840          | 0              | 0              |
| Children and Young People                         | Contractual           | Traded Services    | Food costs - Brexit impact  | 144,416          | 144,416          | 0              | 0              |
| Children and Young People                         | Ring Fenced Grant/Bid | Childrens Services | Legal Aid, Sentencing and Punishment of Offenders (LASPO)               | 3,381            | 3,381            | 0              | 0              |
| Children and Young People                         | Ring Fenced Grant/Bid | Childrens Services | New Burdens Grant - s31 Extended Personal Adviser                       | 12,228           | 12,228           | 0              | 0              |
| Children and Young People                         | Ring Fenced Grant/Bid | Childrens Services | National Children's Bureau  | 29,472           | 29,472           | 0              | 0              |

| Council Priority   | Commitment Type       | Directorate        | Scheme Title  | Plan<br>£        | 2019/2020<br>£   | 2020/2021<br>£ | 2021/2022<br>£ |
|--|-----------------------|--------------------|---|------------------|------------------|----------------|----------------|
| Children and Young People  | Ring Fenced Grant/Bid | Childrens Services | Early Adopters Grant  | 35,000           | 35,000           | 0              | 0              |
| Children and Young People  | Ring Fenced Grant/Bid | Childrens Services | Frontline Social Workers Grant  | 18,810           | 18,810           | 0              | 0              |
| Children and Young People  | Base Budget           | Childrens Services | Education Welfare Service - bridging monies until restructure implemented | 40,000           | 40,000           | 0              | 0              |
| Children and Young People  | Ring Fenced Grant/Bid | Childrens Services | Reform Investment Fund for Stronger Families                              | 607,561          | 607,561          | 0              | 0              |
| <b>Sub-Total Children and Young People</b>                       |                       |                    |   | <b>1,129,708</b> | <b>1,129,708</b> | <b>0</b>       | <b>0</b>       |
| Building Quality, Affordable and Social Housing                  | Contractual           | Place              | Commission Private Sector Housing Stock Condition Survey                  | 16,603           | 16,603           | 0              | 0              |
| <b>Sub-Total Building Quality, Affordable and Social Housing</b> |                       |                    |   | <b>16,603</b>    | <b>16,603</b>    | <b>0</b>       | <b>0</b>       |
| Green & Connected  | Capital Programme     | Central Services   | Funding of ICT Capital Projects and Modernisation                         | 482,279          | 165,856          | 158,423        | 158,000        |
| Green & Connected  | Contractual           | Place              | William Wroe options appraisal  | 10,000           | 10,000           | 0              | 0              |
| Green & Connected  | Ring Fenced Grant/Bid | Place              | Greenspace Masterplan (Longford Park and Bollin Valley)                   | 21,176           | 21,176           | 0              | 0              |
| Green & Connected  | Ring Fenced Grant/Bid | Place              | District Heating network match funding                                    | 19,800           | 19,800           | 0              | 0              |
| Green & Connected  | Contingency           | Place              | Environmental Improvement Works - Sale Water Park                         | 53,023           | 53,023           | 0              | 0              |
| Green & Connected  | Contingency           | Place              | Environmental Improvement Works - William Wroe                            | 32,212           | 32,212           | 0              | 0              |
| Green & Connected  | Contractual           | Place              | Flood management plan   | 46,050           | 46,050           | 0              | 0              |
| Green & Connected  | Statutory             | Place              | Tree Inspections and Mtce (Parks and Open Spaces)                         | 71,218           | 71,218           | 0              | 0              |
| Green & Connected  | Contractual           | Place              | Trio bins in parks etc.   | 98,005           | 98,005           | 0              | 0              |
| Green & Connected  | Contractual           | Place              | Keep Britain Tidy - one off performance monitoring                        | 18,000           | 18,000           | 0              | 0              |
| Green & Connected  | Contractual           | Place              | Fly tipping removal KPI to 10 days trial                                  | 6,970            | 6,970            | 0              | 0              |
| Green & Connected  | Contractual           | Place              | Garden waste bin  | 200,000          | 200,000          | 0              | 0              |

| Council Priority                       | Commitment Type       | Directorate      | Scheme Title  | Plan<br>£        | 2019/2020<br>£   | 2020/2021<br>£ | 2021/2022<br>£ |
|--|-----------------------|------------------|---|------------------|------------------|----------------|----------------|
|  |                       |                  | replacements  |                  |                  |                |                |
| Green & Connected                      | Base Budget           | Place            | Recycling Initiatives   | 303,000          | 303,000          | 0              | 0              |
| Green & Connected                      | Contingency           | Place            | GM Clean Air Plan Contingency                                       | 20,000           | 20,000           | 0              | 0              |
| Green & Connected                      | Contingency           | Place            | One Off Removal of Waste in Parks                                   | 90,000           | 90,000           | 0              | 0              |
| Green & Connected                      | Contingency           | Place            | Allotments Initiatives  | 46,004           | 46,004           | 0              | 0              |
| Green & Connected                      | Base Budget           | Place            | Bikeability and Road Safety Initiatives                             | 21,427           | 21,427           | 0              | 0              |
| Green & Connected                      | Contingency           | Place            | Carbon Neutral Study  | 39,000           | 39,000           | 0              | 0              |
| <b>Sub-Total Green &amp; Connected</b> |                       |                  |   | <b>1,578,164</b> | <b>1,261,741</b> | <b>158,423</b> | <b>158,000</b> |
| Pride in Our Area                      | Contractual           | Place            | Partington Environmental Improvement Works                          | 14,100           | 14,100           | 0              | 0              |
| Pride in Our Area                      | Contractual           | Place            | Aeration Project Salford Quays contribution                         | 12,065           | 12,065           | 0              | 0              |
| Pride in Our Area                      | Contractual           | Place            | Halecroft Park works  | 15,310           | 15,310           | 0              | 0              |
| Pride in Our Area                      | Contractual           | Place            | Community Initiatives   | 10,000           | 10,000           | 0              | 0              |
| Pride in Our Area                      | Contractual           | Central Services | Community Safety Case Management System                             | 21,000           | 15,000           | 3,000          | 3,000          |
| Pride in Our Area                      | Contractual           | Central Services | Good Gym Project - Gyms in Parks                                    | 12,753           | 12,753           | 0              | 0              |
| Pride in Our Area                      | Ring Fenced Grant/Bid | Central Services | Community Safety Projects   | 212,123          | 212,123          | 0              | 0              |
| Pride in Our Area                      | Base Budget           | Central Services | Data Lab staff support - funded from ring fenced transparency grant | 66,123           | 66,123           | 0              | 0              |
| Pride in Our Area                      | Contingency           | Place            | Commercial Property - Statutory Energy Ratings                      | 12,000           | 12,000           | 0              | 0              |
| Pride in Our Area                      | Ring Fenced Grant/Bid | Central Services | Behaviour Change Programme  | 24,571           | 24,571           | 0              | 0              |
| <b>Sub-Total Pride in Our Area</b>     |                       |                  |   | <b>400,045</b>   | <b>394,045</b>   | <b>3,000</b>   | <b>3,000</b>   |
| Health and Wellbeing                   | Contingency           | Place            | Environmental Improvement Works - Sale Water Park                   | 8,000            | 8,000            | 0              | 0              |

| Council Priority                      | Commitment Type          | Directorate      | Scheme Title                                       | Plan<br>£        | 2019/2020<br>£   | 2020/2021<br>£ | 2021/2022<br>£ |
|---------------------------------------|--------------------------|------------------|--|------------------|------------------|----------------|----------------|
| Health and Wellbeing                  | Base Budget              | Place            | Funding for Sports Relationship Manager to 31/3/21 | 110,353          | 55,177           | 55,177         | 0              |
| Health and Wellbeing                  | Ring Fenced Grant/Bid    | Place            | Active Aging Programme with age UK in Partington   | 29,415           | 29,415           | 0              | 0              |
| Health and Wellbeing                  | Ring Fenced Grant/Bid    | Place            | Local Pilot (Sport England)                        | 5,363            | 5,363            | 0              | 0              |
| Health and Wellbeing                  | Contingency              | Central Services | Continuing Training Programmes                     | 40,000           | 40,000           | 0              | 0              |
| Health and Wellbeing                  | Contractual              | Adults Services  | Good Gym   | 10,000           | 10,000           | 0              | 0              |
| Health and Wellbeing                  | Contractual              | Adults Services  | Urgent Care Control Team                           | 4,000            | 4,000            | 0              | 0              |
| Health and Wellbeing                  | Unknown to be classified | Adults Services  | Autism Innovation costs                            | 4,000            | 4,000            | 0              | 0              |
| Health and Wellbeing                  | Statutory                | Central Services | Legal Contingency re DOLS                          | 60,937           | 60,937           | 0              | 0              |
| <b>Sub-Total Health and Wellbeing</b> |                          |                  |  | <b>272,068</b>   | <b>216,892</b>   | <b>55,177</b>  | <b>0</b>       |
| <b>Sub-Total Contingency</b>          |                          |                  |  | <b>0</b>         | <b>0</b>         | <b>0</b>       | <b>0</b>       |
| <b>Grand -Total All Projects</b>      |                          |                  |  | <b>7,330,989</b> | <b>6,411,049</b> | <b>562,770</b> | <b>357,170</b> |

## 2020/21 Objective (Service) Budget Analysis

## Annex H

| SERVICE EXPENDITURE ANALYSIS                | Net Budget<br>2019/20<br>(£'000) | Proposed<br>Net Budget<br>2020/21<br>(£'000) | Movement<br>(£'000) |
|---|----------------------------------|--|---------------------|
| <b>Children's Service</b>                   |                                  |  |                     |
| Children with Complex and Additional Needs  | 1,366                            | 1,383  | 17                  |
| Commissioning                               | 1,518                            | 1,558  | 40                  |
| Children's Social Services                  | 24,372                           | 28,548                                       | 4,176               |
| Education and Early Years' Service          | 6,200                            | 6,433  | 233                 |
| Early Help Delivery Model                   | 1,012                            | 1,351  | 339                 |
| First Response                              | 1,455                            | 2,414  | 959                 |
| Youth Offending Service                     | 158                              | 238  | 80                  |
| DSG   | 0                                | 0  | 0                   |
| <b>Children's Service Sub-Total</b>         | <b>36,081</b>                    | <b>41,925</b>                                | <b>5,844</b>        |
| <b>Adults Service (incl. Public Health)</b> |                                  |  |                     |
| Client Costs                                | 49,509                           | 54,847                                       | 5,338               |
| BCF and Other Grants                        | (13,959)                         | (19,428)                                     | (5,469)             |
| Assistive Equipment and Technology          | 1,002                            | 1,001  | (1)                 |
| Social Care Activities - Care Management    | 10,317                           | 10,589                                       | 272                 |
| Commissioning and service delivery          | 1,879                            | 2,280  | 401                 |
| Public Health                               | 11,778                           | 12,116                                       | 338                 |
| <b>Adult Service Sub-Total</b>              | <b>60,526</b>                    | <b>61,405</b>                                | <b>879</b>          |
| <b>Place</b>                                |                                  |  |                     |
| One Trafford Partnership                    | 15,859                           | 17,030                                       | 1,171               |
| Street Lighting Energy                      | 839                              | 868  | 29                  |
| Media Advertising                           | (816)                            | (817)  | (1)                 |
| Waste Disposal Levy                         | 16,171                           | 15,695                                       | (476)               |
| Strategic Management                        | 661                              | 662  | 1                   |
| Economic Growth & Planning                  | 1,927                            | 2,104  | 177                 |
| Public Protection & Enforcement             | 473                              | 504  | 31                  |

| <b>SERVICE EXPENDITURE ANALYSIS</b>                | <b>Net Budget<br/>2019/20<br/>(£'000)</b> | <b>Proposed<br/>Net Budget<br/>2020/21<br/>(£'000)</b> | <b>Movement<br/>(£'000)</b> |
|--|---|--|-----------------------------|
| Parking Services                                   | (1,100)                                   | (1,167)  | (67)                        |
| Strategic Support Services                         | 848                                       | 863  | 15                          |
| <b>Place Sub-Total</b>                             | <b>34,862</b>                             | <b>35,742</b>  | <b>880</b>                  |
| <b>Governance and Community Strategy</b>           |   |  |                             |
| Legal & Democratic Services                        | 2,878                                     | 2,923  | 45                          |
| Access Trafford                                    | 2,939                                     | 3,045  | 106                         |
| Partnerships and Communities                       | 1,632                                     | 1,633  | 1                           |
| Arts and Culture                                   | 584                                       | 710  | 126                         |
| Directorate Wide Efficiency -G&CS                  | (193)                                     | (198)  | (5)                         |
| <b>Governance and Community Strategy Sub-Total</b> | <b>7,840</b>                              | <b>8,113</b>   | <b>273</b>                  |
| <b>Finance and Systems</b>                         |   |  |                             |
| Finance Services                                   | 5,172                                     | 5,224  | 51                          |
| IT Services  | 2,498                                     | 2,777  | 279                         |
| Transformation                                     | 0   | 1,000  | 1,000                       |
| Directorate Wide Efficiency -F&S                   | (187)                                     | (189)  | (2)                         |
| <b>Finance and Systems Sub-Total</b>               | <b>7,483</b>                              | <b>8,812</b>   | <b>1,329</b>                |
| <b>People and Traded Services</b>                  |   |  |                             |
| Human Resources                                    | 2,331                                     | 2,550  | 219                         |
| Communications                                     | 232                                       | 238  | 6                           |
| Executive  | 384                                       | 462  | 78                          |
| School Crossing Patrols                            | 425                                       | 435  | 10                          |
| Bereavement Services                               | (732)                                     | (679)  | 53                          |
| Catering & Cleaning Traded Services                | 504                                       | 233  | (271)                       |
| Music Service                                      | 189                                       | 237  | 48                          |
| Directorate Wide Efficiency -People                | (128)                                     | (133)  | (5)                         |
| <b>People and Traded Services Sub-Total</b>        | <b>3,205</b>                              | <b>3,343</b>   | <b>138</b>                  |



| SERVICE EXPENDITURE ANALYSIS                    | Net Budget<br>2019/20<br>(£'000) | Proposed<br>Net Budget<br>2020/21<br>(£'000) | Movement<br>(£'000) |
|---|----------------------------------|--|---------------------|
| <b>Total Service Budget</b>                     | <b>149,997</b>                   | <b>159,340</b>                               | <b>9,343</b>        |
| <b>Council Wide Service</b>                     |                                  |  |                     |
| Transport Levy                                  | 15,788                           | 16,209                                       | 421                 |
| Flood Defence                                   | 146                              | 149  | 3                   |
| Coroner's & Mortuary                            | 744                              | 728  | (16)                |
| AGMA/ Other                                     | 495                              | 495  | 0                   |
| Contingencies, Provisions and Corporate savings | 4,342                            | 2,500  | (1,842)             |
| Interest Receivable (incl. Airport Dividend)    | (6,193)                          | (7,545)                                      | (1,352)             |
| Loan Debt (principal and interest)              | 6,546                            | 9,080  | 2,534               |
| Property Investment Fund                        | (2,411)                          | (7,431)                                      | (5,020)             |
| Insurance                                       | 753                              | 700  | (53)                |
| Members Expenses                                | 854                              | 950  | 96                  |
| Other Centrally held budgets                    | 1,194                            | 1,934  | 740                 |
| Central Grants                                  | (2,318)                          | (1,906)                                      | 412                 |
| <b>COUNCIL-WIDE BUDGETS</b>                     | <b>19,940</b>                    | <b>15,863</b>                                | <b>(4,077)</b>      |
| <b>Proposed Net Budget</b>                      | <b>169,937</b>                   | <b>175,203</b>                               | <b>5,266</b>        |

**REPORT of the CORPORATE DIRECTOR OF FINANCE AND SYSTEMS  
to the COUNCIL 19 FEBRUARY 2000**

**ROBUSTNESS of the 2020/21 PROPOSED BUDGET ESTIMATES  
(S25-26 LGA 2003)**

**1. INTRODUCTION**

- 1.1 The Local Government Act 2003 requires the Corporate Director of Finance and Systems, the Council's section 151 officer, to report independently to the Council their own opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level of reserves (s26).
- 1.2 The Law requires that such a report is put before Council as part of the overall budget deliberations, and that such a report be considered prior to the approval of the Budget Requirement and the setting of a Council Tax.
- 1.3 A summary of this report providing the general opinion is included within the main report at section 6.
- 1.4 In drafting the budget reports close consideration has been given to recent publications from Cipfa, namely:-
- **Financial Management Code** which provides a useful framework to assist local authorities in demonstrating their financial sustainability and sets expected standards of financial management for local authorities;
  - **Prudential Property Investment** which provides a useful update on the Prudential Code and how they relate to the expansion of commercial activity by local authorities; and
  - **Financial Resilience Index (FRI)** which usefully compares the Council against similar local authorities across a range of key financial measures to give an indication of financial stability.
- 1.5 In respect of the FRI there are a number of areas which show the Council to have higher levels of risk compared to similar local authorities, particularly:-
- **the level of reserves** as a proportion of net revenue budget – this is a recognised risk and whilst the Council has successfully replenished reserves in previous years, their relatively low level remains a concern particularly given the planned application in 2020/21. Given the size of the budget gap in 2021/22 prioritisation will be given to replenishing the budget support reserve to a level of 50% of the budget gap in 2021/22 by reallocating from other reserve areas.
  - **level of business rate growth** above baseline supporting budget – this risk has been recognised and assumptions about the planned reset in 2021/22 and about transitional protection have been included in the budget proposals,

1.6 After ten years of austerity funding reductions the ability to balance budgets is extremely challenging. What we do know is that our expenditure pressures in a number of areas are unavoidable with rises in costs due to pay inflation and living wage increases, general inflation on contracts and goods and services and demography are predicted to cost the Council in the region of £10m annually with assumed increases in Council Tax only part mitigating these pressures. The national budget in March and comprehensive spending review later in 2020 are eagerly awaited and should provide some signal of the outlook for local government; at least for a multi-year settlement which would at least provide a degree of certainty for the planning of future years' budgets. Trafford though has two other pressures which are not felt by the majority of councils which make our budget planning even more difficult:-

- The costs associated with improving our Children's Services following the Ofsted review in 2019 which gave an inadequate rating and for which allowance is included in these budget estimates;
- The expected loss of funding from business rates following a national reset of baselines in April 2021

1.7 Given the short term uncertainty, the size of the remaining budget gap in 2021/22 and the extent of activity in 2020 which will affect local government the risk attached to our budgetary position has been increased in the Strategic Risk Register to Red given the size of the budget challenge for 2021/22 and beyond.

## **2. PROCESS**

2.1 The budget process has involved the identification or forecasting of spending needs, likely resource availability, and opportunities for efficiencies, income generation and resource realignment. Issues identified during the 2019/20 budget monitoring process and planning process review have been addressed in the 2020/21 budget wherever appropriate.

2.2 The process has involved the Executive Portfolio Holders, members of the Corporate Leadership Team and other service management supported by the Financial Management Service.

2.3 All budget managers have been requested to agree their budget working papers and are therefore aware of their proposed budget for 2020/21 and the assumptions the budget is based on, which includes income targets.

2.4 With the support of the senior finance staff within the Financial Management Service, I have undertaken a review of the Executive's budget proposals (both revenue and capital budget and reserves) at varying levels of detail taking into account known factors that will have a significant bearing on the conduct of the Council's business in 2020/21 and in the medium term. Importantly it includes discussion, information and assurances supplied by Directors and other senior staff.

2.5 At a detailed level budgets are based on forecasted activity and have been subject to appropriate challenge, sensitivity analysis and to ensure that they reasonably allow for a degree of error. Risks can be mitigated through a variety of management actions and the Corporate Leadership Team (CLT) has ensured that in higher risk areas additional capacity and rigour has been put in place to ensure forecast savings are robust and are capable of being delivered during the year with monthly

updates on financial performance reviewed. Savings will continue to be monitored through CLT as part of the budget monitoring process as well as the established bi-monthly financial monitoring of all Council activity on an outturn basis from May each year.

- 2.6 I have also taken account of how the Council is likely to react if an adverse financial situation was to arise during the year. This helps in assessing the adequacy of reserves.

## **BUDGET 2020/21**

- 2.7 **The year ahead presents a number of financial challenges**, and in particular I would draw Members' attention to areas of uncertainty for which mitigating action is included in the budget and/or reserves, if required. These are detailed below and paragraph 2.8 refers specifically to concerns for 2021/22 given the expected reset of the business rate retention scheme baselines, implementation of fairer funding and compounded by the use a one-off reserves supporting the 2020/21 budget.

- The Government has now indicated that the national reset of the business rate retention scheme baselines and introduction of fair funding review of local government needs and resources will now take place in 2021/22 rather than 2020/21 as originally intended. This will give rise to significant financial turbulence and has made financial forecasting extremely difficult. Whilst the reset in itself poses a significant financial risk to the Council the Government is likely to include a transitional protection system to protect authorities from any significant financial cliff edges. The current budget assumptions include for these protections and are based on the council's current funding levels from the original retained business rate and 100% GM Pilot schemes. There is a risk the Government does not afford protection to the additional funding derived from the 100% Pilot in which case this will put further pressure on the budget gap in future years. The delay in resetting the system, whilst in part good news, exposes the Council to a further year of potential decline in business rate funding. This has been apparent during 2019/20 when overall rateable values have fallen by approximately £5m with a major contributing factor being the level of temporary refurbishments and significant number of commercial and industrial property being converted to residential assets. An assessment of rateable value and income levels has been forecast indicating a potential shortfall in income for 2020/21 compared to our draft budget proposals and this will be mitigated with one-off support from the Business Rate Risk Reserve for one year until reset of the system.
- The delivery of savings identified, in particular the adult services directorate, whilst not on similar levels to previous years continues to be demanding on the capacity of managers and staff and particularly given the size of savings programmes delivered since 2010;
- The approach to investments as included in our investment strategy has mitigated to a certain extent the need to make further efficiencies in service delivery. The assessment of risks is crucial to ensure this course of action continues to provide a secure source of income to support the revenue budget and remains proportionate. In this regard close attention continues to be given to all updates from MHCLG and the Cipfa Prudential Code. A review of all assets is undertaken on an annual basis to determine the

appropriateness of the level of specific reserve set aside to cover all outstanding risks;

- An invest to save programme has been developed for Children's Services. This programme introduces investment in early help which is expected to increase the quality of services and lead to reduced demand and in later years, net budget savings. As this is an investment that will produce a longer term saving, it is considered prudent to pump prime this investment from our reserves in 2020/21.
- The Council has ambitions to undertake some substantial regeneration and development in the Borough with particular focus on town centre regeneration and provision of new housing. An outcome of this is that it will generate new capital receipts which can be used to support capital investment in the Council's property and infrastructure but given the lead in times to some of this development it is likely to mean that more of the capital receipts are realised in 2021/22 and 2022/23. This potentially will give rise to some short term temporary borrowing to finance the capital programme, the costs of which will be financed from the Interest Rate Smoothing Reserve.
- There is always the risk that the Council could face legal challenge in relation to any of the decisions it makes, and whilst every effort has been made to guard against the likelihood of successful challenge, the costs of defending any such proceedings can be significant;
- The uncertainty that exists on demand led services, particularly in adults and children's social care continues to pose the biggest threat to the Council's budget in the future and significant new investment has been incorporated into the 2020/21 budget plans to reflect the latest demand pressures. Government has provided invaluable support for social care as part of the Spending Round announced in autumn 2019 but no further funding projections are known until the outcome of the budget and spending review expected in 2020.
- There is also risk with regard to the ability of the external care market to provide sufficient capacity at a price supported by the Fair Price for Care review in order to support our growing care needs;
- In the short term the expenditure pressures being felt in the schools high needs block have been addressed by the Government's commitment to invest an additional £700m nationally into high needs in 2020/21. We will only know if this provides a sustainable solution once allocations are known for later years.

## **FUTURE YEARS**

2.8 The decisions in this report and the utilisation of a level of temporary reserves funding increases the challenges for future years. Current projections still leave a budget gap of £15.01m in 2021/22 even after assumptions on additional funding raised from general council tax increases and the social care precept. After ten years of making savings and achieving additional income to balance the budget there is limited scope to achieve future savings given the increased demand pressures in adults and children's services. Whilst Government have started to

acknowledge some of these pressures any additional funding provided has failed to keep pace with these demand pressures.

- 2.9 It is therefore crucial that as soon as this budget is agreed both senior officers and Executive Members begin consideration of radical budget options in advance of any further funding updates during 2020. This exercise should aim to be well under way by the end of Q1 2020/21 and identify a range of options that can address the significant budget gap for 2021/22 in advance of funding announcements which are expected to be made in the autumn of 2020.
- 2.10 It is unlikely that any indicative funding figures will be made available by Government until late summer or early autumn 2020 which will make financial planning difficult for 2021/22 and is why advance work needs to commence in March and April. A number of potential mitigating factors exist:-
- An updated National Budget will be announced on 11 March 2020 with the promise of a “decade of renewal”. It is expected that this will focus on the environment and build on recent announcements to boost spending on public services. Whilst this should provide a useful update on local government spending it is unlikely to cover Government departmental spending beyond 2021. It is hoped that a longer term spending review follows shortly after this announcement together with an update on support for social care.
  - The Local Government Minister Luke Hall has promised to set out plans to fix the social care system once and for all and to work with political parties from all sides of the House of Commons to seek consensus around the very best solutions.
  - In the summer/autumn there will be a longer-term Spending Review, alongside the Fair Funding Review (FFR) of the allocation and distribution of those resources, and a review and upcoming reset of the business rates tax.
  - The outcome of the FFR and Business rate reset is expected during 2020 and at this stage it will be necessary to review the existing budget assumptions, particularly those included for the transitional arrangements that are to be put in place.
  - The developing modernisation programme and digital improvements are expected to yield some benefits which are capable of supporting the budget.
  - The Council’s current budget contains a modest level of discretionary services which will be reviewed during 2020 as well as fees and charges.
  - Through the Asset Investment Strategy two significant debt arrangements which are yielding substantial benefits to the revenue budget come to an end. If alternative investments can be identified, together with the use of the remaining headroom in the Fund, this should contribute toward bridging the budget gap.
  - It is imperative that the Council lobby Government for a change in the current council tax referendum levels such that more discretion is afforded for those authorities with a below average level of council tax.

2.11 Given the size of the budget gap in future years it has been necessary to review the level of the Budget Support Reserve and the proposals in this report recommend a full rationalisation and review of reserves such that a balance of £7.5m can be reinstated, being 50% of the remaining budget gap for 2021/22. This will provide a prudent level of budget resilience for the 2021/22 budget process. The reinstatement of the Budget Support Reserve to such a level is a key financial priority and whilst a challenge for the Council given the low level of reserves could be achieved by:-

- Earmarking any outturn savings achieved in 2019/20
- Reviewing the MAG dividend reserve given current projection of distributable amounts from MAG being greater than our budgeted level
- Potential one-off savings from the PFI scheme and redistributions from AGMA budgets, including waste and retained business rates
- Review of Service Area Priority Reserves
- Review of Business Rate Risk Reserve

2.12 During the year school balances are reviewed and whilst a number of schools are operating with an in-year deficit they have sufficient reserve cover in most instances to support this. Where necessary a team comprising of finance, HR and support from school improvement help support schools in financial difficulty. In a small number of cases some schools have licensed deficits, the position of which is regularly monitored to ensure recovery action plans are developed and implemented. In the event of sponsored academisation the responsibility of any legacy school deficit remains with the local authority, therefore our reserves strategy takes this risk into consideration.

### **3. OUTCOME OF REVIEW**

3.1 All aspects of the budget have been reviewed to ensure that reasonableness (robustness) tests have been carried out, that detailed calculations are sound, and that the risks have been quantified and provided for as far as possible. As part of the review of draft savings proposals, risk assessment and mitigating action a number of changes in assumptions were subsequently made, the salient ones are as follows:

- It is a key priority to reinstate the level of the Budget Support Reserve to a level equivalent to 50% of the remaining budget for 2021/22, i.e. £7.5m
- Start the 2021/22 budget immediately to commence scenario planning in the event the upcoming national budget and spending review fail to address the financial pressures of local government
- Proportionality of the Investment Strategy has been assessed and appropriate and prudent levels of risk reserve and MRP are being set aside.
- A full review of the fair price for care level for adult social care homes
- A pressure on the Housing Benefit budget caused by an increase in temporary, homeless and supported accommodation costs which are not fully reimbursed through housing subsidy. This shortfall is being compounded by a reduction in recovery rates for benefit overpayments and a move to Universal Credit. Therefore a specific reserve has been created.

- Levels of contingency budget have been reviewed for adult social care and children's social care areas. There is an assumption additional investment in staffing within Children's Services will lead to better control on the cost of children's placements. In the event savings cannot be fully delivered an allowance has been included in the corporate contingency.
- Earmark an element of the Interest Rate Smoothing Reserve in the event there is a need to undertake any short term borrowing to support the capital programme.
- Increase in budget provision within Adults Social Care due to the impact the external care market is having on client costs.
- The leisure centre strategy will need further review before the commitment of the next phases of development.
- A review of ordinary residence cases is still in the process of being assessed and for this reason an allowance has been factored into the general reserve calculation.
- Risk also exists within the public health budget due to increasing price pressures within contracted activities and a reduction in the public health grant levels. Service reviews will be undertaken during 2020/21 to move towards bringing Public Health expenditure back within the Public Health allocated resources by 2020/21. Additional investment has been included in these budget plans for 2020/21 to support public health related expenditure commissioned by other service areas which will free up public health resources which can be invested in to preventative public health measures.

#### **4. CONCLUSION**

- 4.1 This statement is not a guarantee that expenditure will be contained within each budget line as the nature of the Council's business means that some services will be placed under financial pressure at various times throughout the year. Therefore it is an assessment of the overall budget package and whether there is a reasonable expectation that the budget overall will not be breached.
- 4.2 On the basis of the above mentioned financial planning and monitoring processes together with the risk assessment of the budget, the Corporate Director of Finance and Systems is able to report (in accordance with Section 25 of the Local Government Act 2003) that the estimates made for the purposes of the calculation of the budget are robust and the level of reserves and balances are adequate and (in accordance with Section 26 of the Local Government Act 2003) the minimum level of general reserve be set at £7m, the same level set for 2019/20.



## Annex J

### OUTLINE OF 2020/21 FUNDING FORMULA RECOMMENDED BY SCHOOL FUNDING FORUM

| -  | Description                 | Amount per pupil         |                            | Pupil Units   |                                      | Sub Total   | Total               |
|--|-----------------------------|--------------------------|----------------------------|---|--------------------------------------|-------------|---------------------|
|  | Primary (Years R-6)         | £2,872.71                |                            | 21,109.00   |                                      | £60,640,035 |                     |
|  | Key Stage 3 (Years 7-9)     | £4,040.10                |                            | 9,864.00  |                                      | £39,851,546 | <b>£128,650,174</b> |
|  | Key Stage 4 (Years 10-11)   | £4,586.09                |                            | 6,140.00  |                                      | £28,158,593 |                     |
|  |                             | Primary amount per pupil | Secondary amount per pupil | Eligible proportion of primary NOR                            | Eligible proportion of secondary NOR |             |                     |
| Deprivation  | FSM                         | £452.48                  | £452.48                    | 2,192.00  | 1,647.00                             | £1,737,071  | <b>£9,940,877</b>   |
|  | FSM6                        | £563.08                  | £819.48                    | 2,940.29  | 2,829.68                             | £3,974,484  |                     |
|  | IDACI Band F                | £211.16                  | £301.65                    | 1,160.70  | 873.80                               | £508,676    |                     |
|  | IDACI Band E                | £251.38                  | £407.23                    | 1,477.29  | 1,117.28                             | £826,351    |                     |
|  | IDACI Band D                | £377.06                  | £537.94                    | 865.21  | 627.87                               | £663,992    |                     |
|  | IDACI Band C                | £407.23                  | £583.19                    | 754.45  | 594.73                               | £654,076    |                     |
|  | IDACI Band B                | £437.39                  | £628.44                    | 1,179.77  | 993.57                               | £1,140,422  |                     |
|  | IDACI Band A                | £603.30                  | £844.62                    | 336.75  | 275.44                               | £435,806    |                     |
|  |                             | Primary amount per pupil | Secondary amount per pupil | Eligible proportion of primary NOR                            | Eligible proportion of secondary NOR |             |                     |
| English as an Additional Language  | EAL 3                       | £537.94                  | £1,447.92                  | 2,412.64  | 228.50                               |             | <b>£1,777,817</b>   |
|  |                             | Amount per pupil         |                            | Eligible proportion of primary and secondary NOR respectively |                                      |             |                     |
| Prior attainment   | Low Attainment % new EFSP   | £1,070.86                |                            | 5,362.80  |                                      | £5,742,807  | <b>£8,882,389</b>   |
|  | Low Attainment % old FSP 78 | £1,618.86                |                            | 1,939.38  |                                      | £3,139,582  |                     |
| Lump Sum   |                             |                          |                            |   |                                      | £115,029.20 | <b>£9,662,453</b>   |
| Split Sites  |                             |                          |                            |   |                                      |             | <b>£40,000</b>      |
| Rates  |                             |                          |                            |   |                                      |             | <b>£1,567,398</b>   |
| Additional funding under the minimum funding level (primary £3,779 secondary £5,029) |                             |                          |                            |   |                                      |             | <b>£6,734,735</b>   |
| <b>Total Funding for Schools Block Formula (excluding MFG Funding Total)</b>         |                             |                          |                            |   |                                      |             | <b>£167,255,843</b> |

|   |                     |
|---|---------------------|
| Minimum Funding Guarantee (MFG is set at +1.84%)                  | <b>£3,422,461</b>   |
| <b>Total Funding For Schools Block Formula</b>                    | <b>£170,678,305</b> |
| less de-delegation  | <b>-£795,805</b>    |
| less Education functions  | <b>-£221</b>        |
| <b>Total Funding For Schools Block Formula less de-delegation</b> | <b>£169,882,278</b> |

## Formal Council Tax Resolution

**The Council is recommended to resolve as follows:**

1. It be noted that on 18th January 2020 the Council calculated
  - (a) the Council Tax Base 2020/21 for the whole Council area as 77,386 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")] and;
  - (b) 1,573 for dwellings in the Parish of **Partington**;
  - (c) 125 for dwellings in the Parish of **Carrington**:

to which Parish Precepts relate.

**It is recommended : -**

2. That the Council approve the Council Tax Requirement for the Council's own purposes for 2020/21 (excluding Parish precepts) as £103,989,759.
3. That the Council agrees the calculation of the Aggregate Amounts for the year 2020/21 in accordance with Sections 31 to 36 of the Act:
  - (a) £491,536,139 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
  - (b) £387,460,771 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - (c) £104,075,368 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act).
  - (d) £1,344.89 being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
  - (e) £85,609 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
  - (f) £1,343.78 being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.
  - (g) £1,395.82 **Parish of Partington** being the amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned at 3(e) above divided by the amount at 1(b) above, calculated

by the Council, in accordance with section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.

(h) £1,373.78

**Parish of Carrington**

being the amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned at 3(e) above divided by the amount at 1(c) above, calculated by the Council, in accordance with section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate

4. The council tax set by Trafford Council includes a 2.0% increase to be spent exclusively on supporting the delivery of adult social care services.
5. That it be noted that for the year 2020/21 the Mayoral Police and Crime Commissioner and the Mayoral General (including Fire Services) have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each category of dwellings in the Council's area as indicated in the table below.
6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate shown in the tables below as the amounts of Council Tax for 2020/21 for each part of its area and for each of the categories of dwellings.

**Valuation Bands**

| <b>Council Tax Schedule<br/>2020/21</b>                           | <b>Band A<br/>£</b> | <b>Band B<br/>£</b> | <b>Band C<br/>£</b> | <b>Band D<br/>£</b> | <b>Band E<br/>£</b> | <b>Band F<br/>£</b> | <b>Band G<br/>£</b> | <b>Band H<br/>£</b> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Trafford Council (including<br/>Adult Social Care Precept)</b> | 895.85              | 1,045.16            | 1,194.47            | 1,343.78            | 1,642.40            | 1,941.02            | 2,239.63            | 2,687.56            |
| <b>Mayoral Police and Crime<br/>Commissioner Precept</b>          | 138.86              | 162.01              | 185.15              | 208.30              | 254.58              | 300.87              | 347.16              | 416.60              |
| <b>Mayoral General Precept<br/>(including Fire Services)</b>      | 60.63               | 70.73               | 80.84               | 90.95               | 111.16              | 131.37              | 151.58              | 181.90              |
| <b>Sub total</b>  | <b>1,095.34</b>     | <b>1,277.90</b>     | <b>1,460.46</b>     | <b>1,643.03</b>     | <b>2,008.14</b>     | <b>2,373.26</b>     | <b>2,738.37</b>     | <b>3,286.06</b>     |

| <b>Partington</b>   |                 |                 |                 |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Parish only   | 34.69           | 40.48           | 46.26           | 52.04           | 63.60           | 75.17           | 86.73           | 104.08          |
| Parish & District only  | 930.54          | 1,085.64        | 1,240.73        | 1,395.82        | 1,706.00        | 2,016.19        | 2,326.36        | 2,791.64        |
| <b>Aggregate of Council Tax<br/>requirements (incl. – Mayoral<br/>Precepts)</b> | <b>1,130.03</b> | <b>1,318.38</b> | <b>1,506.72</b> | <b>1,695.07</b> | <b>2,071.74</b> | <b>2,448.43</b> | <b>2,825.10</b> | <b>3,390.14</b> |
|   |                 |                 |                 |                 |                 |                 |                 |                 |

|   |                 |                 |                 |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Carrington</b>   |                 |                 |                 |                 |                 |                 |                 |                 |
| Parish only   | 20.00           | 23.33           | 26.67           | 30.00           | 36.67           | 43.33           | 50.00           | 60.00           |
| Parish & District only  | 915.85          | 1,068.49        | 1,221.14        | 1,373.78        | 1,679.07        | 1,984.35        | 2,289.63        | 2,747.56        |
| <b>Aggregate of Council Tax requirements (incl. – Mayoral Precepts)</b> | <b>1,115.34</b> | <b>1,301.23</b> | <b>1,487.13</b> | <b>1,673.03</b> | <b>2,044.81</b> | <b>2,416.59</b> | <b>2,788.37</b> | <b>3,346.06</b> |
|   |                 |                 |                 |                 |                 |                 |                 |                 |

### PARISH COUNCIL PRECEPTS

| Parish/Town Council | 2019/20      |            |                        | 2020/21      |               |                        | C Tax Increase |
|---------------------|--------------|------------|------------------------|--------------|---------------|------------------------|----------------|
|                     | Tax Base     | Precepts £ | Council Tax Band D (£) | Tax Base     | Precepts £    | Council Tax Band D (£) |                |
| Partington          | 1,577        | 67,023     | 42.50                  | 1,573        | 81,859        | 52.04                  | 22.45%         |
| Carrington          | 124          | 0          | N/A                    | 125          | 3,750         | 30.00                  | N/A            |
| <b>TOTAL</b>        | <b>1,701</b> |            |                        | <b>1,698</b> | <b>85,609</b> |                        |                |

TRAFFORD COUNCIL

Report to: Executive and Council

Date: 19 February 2020

Report for: Decision

Report of: The Executive Member for Finance and Investment and the Corporate Director Finance and Systems

## Report Title

**CAPITAL STRATEGY, CAPITAL PROGRAMME AND PRUDENTIAL & LOCAL INDICATORS 2020/23**

## Summary

This report highlights the Council's investment plans for the next three years taking into account the estimated resources to be made available from Government as well as the Council's own resources and consists of :-.

**Capital Strategy (Appendix 1)** – The Capital Strategy which includes the core principles that underpin the Council's Capital Programme.

**General Capital Programme (Appendix 2 – Section 1)** - The level of resources forecasted to be available for general capital investment purposes during the period is £166.13m. The proposals included in this report will result in a Capital Programme totalling £168.72m. This equates to £2.59m of over-programming over the three year programme and will be reviewed each year to ensure actual capital resources are not overcommitted. To assist with the delivery of the capital programme individual scheme proposals are included for a number of key programmes.

**Asset Investment Strategy (Appendix 2 – Section 2)** – This report highlights the Council's proposals to utilise the fund created during 2017 by acquiring a range of investment assets to provide a sustainable revenue stream and cover any related borrowing costs whilst facilitating development and regeneration and also support local authority functions. The fund was previously approved at a level of £400m but it is now recommended that this is increased by £100m to give a total fund value of £500m to allow headroom to cover the cost of local regeneration schemes.

**Prudential and Local Indicators (Appendix 3)** – the Council is required to set indicators in accordance with the CIPFA Prudential Code which are designed to support decisions taken on affordability, sustainability and professional good practice.

**Details of Block Budget Allocations (Appendix 4)** – Provides individual details of schemes that are covered by block allocations.

### ***Recommendations***

That the Executive approve the:-

1. Capital Programme as detailed in Appendix 2 of the report;
2. Schemes to be undertaken from the “block” budget allocations reported in paragraph 21 and detailed Appendix 4.

That Executive recommends the Council to approve:-

3. The Capital Strategy included in Appendix 1;
4. the overall Capital Programme in the sum of £368.72m for the period 2020/23, comprising £168.72m in respect of the General Capital Programme and £200.00m for the Investment Fund
5. approve additional prudential borrowing of £6.92m to support the general capital programme, as detailed in Paragraph 11, and £100m to support the Asset Investment Strategy; and
6. the Prudential and Local Indicators as set out at Appendix 3 of this report.

#### Contact person for access to background papers and further information:

Name: Frank Fallon

Extension: 4170

Background Papers – None

## BACKGROUND

1. The Capital Strategy focuses on the core principles that underpin the Council's capital programme and gives a position statement with regards to capital expenditure and the resources available. It also reviews the key issues and risks that will impact on the delivery of the Council's capital investment plans and the governance framework required to support delivery of the Strategy.
2. The three year Capital Programme 2020/23 and update of available resources is detailed in Appendix 2. This includes specific reference to a number of budget areas which historically have had subsequent reports to Executive to approve the programme of schemes for these areas e.g.:- Public Building Repairs and Highway Programmes.

| Relationship to Policy Framework/Corporate Priorities | Value for Money  |
|---|--|
| Financial Implications                                | Planned capital expenditure over the next three year period will be contained within available capital resources.  |
| Legal Implications:                                   | None arising out of this report.   |
| Equality/Diversity Implications                       | In approving the detail of schemes proposed through the capital programme the Council will need to ensure that any decisions are made fully in accordance with its Public Sector Equality Duty.  |
| Sustainability Implications                           | The indicative capital programme includes a number of proposals that will aid the Council in its environmental sustainability objectives, including £35.9m for the Mayor's Cycling and Walking Challenge Fund and £482k tree replacement programme.  |
| Staffing/E-Government/Asset Management Implications   | A number of improvement schemes are being undertaken in 2020/23.   |
| Risk Management Implications                          | Assumptions have been made on land sale projections and the level of receipts to be generated in 2020/21 to 2022/23. An annual review will be undertaken of the future Land Sale Programme and in the event that there is a shortfall in resources to finance the Capital Programme adjustments will be made to our expenditure plans. Any other properties or other assets acquired as part of the Asset Investment Strategy will be subject to the annual review and revaluation. If the fair value of these assets falls then consideration will be given to making additional charges to the revenue budget. |
| Health & Wellbeing Implications                       | The proposed capital programme includes a number of schemes that seeks to provide a positive impact on the Health and Wellbeing of   |

|                                |   |
|--------------------------------|---|
|                                | Trafford's residents, including sports and leisure improvements, home adaptations as part of the Disabled Facilities Grant, tree replacement programme and improvements to play area infrastructure across the borough. |
| Health and Safety Implications | A number of schemes are being undertaken on the grounds of health and safety.   |

**RECOMMENDATIONS**

That the Executive approve the:-

- Capital Programme as detailed in Appendix 2 of the report;
- Schemes to be undertaken from the "block" budget allocations reported in paragraph 21 and detailed Appendix 4.

That Executive recommends the Council to approve:-

- the Capital Strategy as included at Appendix 1;
- the overall Capital Programme in the sum of £368.72m for the period 2020/23, comprising £168.72m in respect of the General Capital Programme and £200m for the Investment Fund, inclusive of the proposed £100m addition,
- approve additional prudential borrowing of £6.92m to support revenue generating investment opportunities as detailed in Paragraph 11; and £100m to support the Asset Investment Strategy; and
- the Prudential and Local Indicators as set out at Appendix 3 of this report.

**Other Options**

The Executive could decide to use capital receipts to repay debt which would generate revenue savings on the Medium Term Financial Plan. However, the proposed application of the capital receipts are to schemes with mandatory requirements and schemes to protect the long-term viability of the Council's assets; enabling efficient and effective service delivery and avoiding potential increases in maintenance costs in future years, the benefits of which are greater than just using the receipts to repay debt.

**Consultation**

Consultation has taken place with budget holders, responsible officers and professional services to ascertain the new projects to be put forward for inclusion in the Capital Investment Programme for 2020/23. Consultation with the public and user-groups will follow, where appropriate, once the programme is set and specific proposals within the budget allocations are developed.

**Reasons for the Recommendation**

The Authority is regularly assessed on the performance of its Capital Programme and how delivery matches corporate policies and proposed spending plans. To reflect budgets in line with revised expectations will assist in evidencing that compliance with the above is being met.

**Finance Officer Clearance** (type in initials) .....GB.....

**Legal Officer Clearance** (type in initials) .....JLF.....

**CORPORATE DIRECTOR'S SIGNATURE** 



# TRAFFORD COUNCIL

## Capital Strategy

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## INTRODUCTION

The effective management of capital resources is an important aspect in the delivery of the Council's corporate objectives and associated priority areas. The Capital Strategy provides the framework for this delivery and ensures there is a focused approach to our capital investment.

The Strategy maintains a strong and current link to the Council's priorities and to its key strategy documents notably the Corporate Plan and Place Shaping Strategy, Medium Term Financial Strategy, Treasury Management Strategy, Asset Management plans and the Asset Investment Strategy.

The Strategy is reviewed annually and updated to take account of the new challenges facing the Council and the aspirations of our residents - ensuring that we provide a Capital Strategy which meets the Council's long-term vision of ***"Working together to build the best future for all our communities and everyone in Trafford"***.

## OBJECTIVES

The high level objectives for the Council's capital investments over the medium term are:-

- ❖ Support the Medium Term Financial Strategy (MTFS) by ensuring that capital investment decisions are not taken in isolation from revenue spending with specific emphasis on delivering future savings and income streams capable of supporting the revenue budget. Also ensuring the right capital assets are fit for purpose for the Council and partners and supports the priorities in the asset management plans
- ❖ Ensure health and safety and other schemes of a statutory nature are delivered
- ❖ Support the reshaping of Council services and delivery of services "in-house" where appropriate
- ❖ Support achievement of Corporate Objectives and key priorities :



Building Quality, Affordable and Social Housing



Health and Wellbeing



Successful and Thriving Places



Children and Young People



Pride in Our Area



Green and Connected



Targeted support

❖ Specific priorities include:-

- Regeneration of Strategic Locations including, Stretford Civic Quarter, Sale Town Centre development and the Stretford and Altrincham Town Centre Masterplans
- Development of the Bee Network/cycle schemes
- Leisure Centre Strategy
- Investment in Highways and Infrastructure
- Secondary Schools - Expansion Programme and Improvement
- One Public Estate, particularly relating to new health related provision and best use, including rationalisation of public sector assets
- Adult Social Care – In-house dementia support
- Increase the availability and range of suitable housing options for older people within Trafford and improve the quality and standard of existing housing.
- Affordable Housing
- Appropriate levels of housing measures to address spatial framework
- Major infrastructure schemes to support new housing development, including Carrington Relief Road - A1 Route
- Parks, greenspaces and tree planting programme
- Asset Investment Strategy, including the acquisition of commercial properties, provision of senior development or investment debt and direct development of council owned sites.

The Council's 2020-2023 Capital Programme, associated financing and prudential borrowing requirements is attached as an appendix to this strategy.

A developing theme for this and future capital programmes will be how our capital investment plans support the Council's ambition of achieving carbon neutrality by 2038.

In delivering both the Capital Programme and maintaining a mixed investment portfolio, opportunities to improve the carbon footprint will need to be explored. This will be done through exploring alternative delivery solutions around construction, purchase of green assets and working with potential delivery partners to assess their green credentials. Also as part of the ongoing review of the investments portfolio, analysis of any potential carbon impact will be undertaken. This will then formulate, if required, a plan of action that will need to be delivered to improve the carbon footprint of the investments that are held.

Within the indicative capital programme at Annex 1 are a number of schemes supporting the Council's carbon neutrality objectives, including substantial investment through the Mayor's challenge fund in new cycling and walking schemes, a significant investment in parks and open spaces, including new tree planting. There are also proposals to reduce the carbon emissions at Altrincham Crematorium through the introduction of two resomation cremators.

## CONTEXT

In December 2017 CIPFA issued an update to the Prudential Code requiring that authorities should have a Capital Strategy with the purpose of establishing a long term direction for the management and use of capital resources for the organisation

The Capital Strategy is closely linked to a number of other key strategies including:

- ❖ Corporate Plan
- ❖ Medium Term Financial Strategy
- ❖ Asset Management Plans
- ❖ Asset Investment Strategy and Town Centre Strategies
- ❖ Treasury Management Strategy



## CORPORATE PLAN

The corporate plan describes Trafford Council's vision and priorities for the borough and the priorities we have identified as an organisation as being key to the delivery of that vision. It includes an overview of our

strategies which provide the detail of what the council will do and how we will work with our communities and our partners to deliver change to Trafford in line with these commitments.

At the heart of our vision is a common cause – we want to make Trafford a better borough. We want to make it a place where everyone has a chance to succeed and where everybody has a voice. We know we need to do things differently as the council cannot do it all. The council, by virtue of its democratic mandate, will lead the way in ensuring that this is a shared endeavour and that across Trafford there will be a more joined up approach to service delivery. Through our new vision, we are making a commitment to work together across different services and agencies to make the best use of our resources. It is aligned with our aspirations as we develop the future model for our statutory obligations and existing partnership arrangements.



Our vision is about giving people in Trafford greater choice about where they live; to build and sustain in thriving communities; and to develop areas which we can all take pride in. Our vision is about people living healthily; receiving care when they need it and having access to our green spaces. It is also about making Trafford a great place to live and work through connected transport links, so that there is a real choice of how we travel in and around our borough.

Far too many people are still getting left behind. Too many people's lives are still blighted by not having access to good housing and employment opportunities; by child poverty and health inequalities. Our vision is a call for fairness – for all children and young people to have a fair start no matter their circumstances and to ensure people get support when they need it most.

These are exciting times for Trafford and our vision aims to meet the opportunities and challenges that lie ahead. Over the next few years, this vision will be at the forefront of everything the Council does and aims to achieve.

### **The Priorities and outcomes for Trafford**

The Council has identified seven strategic priorities that we believe are key to enabling Trafford residents, businesses and staff to thrive. Our priorities set out our aspirations for our people, place and communities, and how they can affect and improve their daily lives.

Our people are our greatest resource. Through engagement with our staff we will create an environment for staff to grow and develop life-long skills and see the benefit of their contribution to the borough. We want to be an employer of choice.

#### **Our Priorities:**



#### **Building Quality, Affordable and Social Housing**

Trafford has a choice of quality homes that people can afford



#### **Health and Wellbeing**

Trafford residents health and Well-Being is improved and Reducing Health Inequalities



#### **Successful and Thriving Places**

Trafford has successful and thriving town centres and communities



#### **Children and Young People**

All Children and Young People in Trafford will have a fair Start



#### **Pride in Our Area**

People in Trafford will take pride in their Local Area



#### **Green and Connected**

Trafford will maximise its Green Spaces, Transport and Digital Connectivity



#### **Targeted support**

People in Trafford will get support when they need it most

These priorities are not just for the Council but for the whole community and have been shared with members of the Trafford Partnerships and adopted by the NHS Trafford CCG our locality health provider. In order to make the difference we want to make, we will need to work closely and effectively with partners, residents, businesses and communities to make this a success.

### **PLACE SHAPING BOARD**

The Trafford Place Shaping Board is led by the Executive Member for Housing and Regeneration, chaired by the Corporate Director for Place and comprising directors and senior council officers meets regularly to develop, direct and deliver a Place Shaping Programme encompassing a number of inter-related programmes including Leisure, Investment and enabling projects.

The purpose of the Place Shaping Board is to ensure that development, disposal, investment and acquisitions taken forward by the Council realise and maximise the financial and strategic objectives for growth and regeneration.

The Strategic Place Shaping Board applies the direction of the Executive:

- ❖ To establish a Place Shaping Programme comprising projects from: Place Shaping, Leisure, Schools, Investment, Disposal; and Enabling categories;
- ❖ To consider the inclusion of new projects within the Place Shaping Programme;
- ❖ To consider strategic development sites and how these can contribute to place shaping objectives;
- ❖ To drive the implementation of the Place Shaping Programme through weekly meetings;
- ❖ To review a monitoring report on a monthly basis on the financial, legal, commercial (including risk management) and development milestones of the Place Shaping Board Programme to ensure programme delivery;
- ❖ To receive, review and agree Outline Business Cases and (subsequent) Full Business Cases for projects within the Place Shaping Programme prior to Executive or Investment Board approval.
- ❖ To receive and review regular updates from any Place Shaping sub / working groups including the Adult Care (place shaping) working group and Leisure Board.
- ❖ The Place Shaping Programme sponsor is the Corporate Director Place and responsibilities for individual projects will be delegated/allocated to Place Shaping Board members (See below)

The Board will comprise of the following:

- ❖ Executive Member for Housing and Regeneration
- ❖ Chief Executive
- ❖ Corporate Director, Place
- ❖ Corporate Director of Finance and Systems
- ❖ Corporate Director of Governance and Community Strategy
- ❖ Deputy Director of Finance
- ❖ Head of Planning and Development
- ❖ Director of Property

Other Trafford Council officers will attend and contribute to the meetings according to operational need.

## **MEDIUM TERM FINANCIAL STRATEGY**

The objectives and supporting policies of the Medium Term Financial Strategy (MTFS) are designed to assist the Council in ensuring that the people of Trafford will continue to be provided high performing, efficient and effective services for now and into the future, whilst avoiding unnecessary tax burdens and ensuring best value for money.

These objectives of the MTFS are:

- ❖ Increasing the resources available to the Council
- ❖ Delivering value for money
- ❖ Delivering a robust, balanced and sustainable budget (both capital and revenue)

## **ASSET MANAGEMENT PLANS**

The Council has historical data on both the property and highways infrastructure portfolios to assess the condition and backlog maintenance.

The condition data and backlog maintenance requirements identified in the asset management



plans for corporate property, schools and highways infrastructure are then used to determine the priorities for investment to ensure statutory compliance along with improving the assets.

These plans set out the current and longer term condition of Trafford's infrastructure and provide information on the 10-20 year requirements of these assets, which informs the decisions made on capital investments plans into the future.

## **ASSET INVESTMENT STRATEGY**

The Asset Investment Strategy, along with promoting economic growth in the borough, supports the revenue budget. Reductions in government funding over recent years means that the authority has been under growing pressures to incur capital expenditure on investments with the objective of realising revenue funding streams to assist with delivering public services. With the revenue funding gap expected to continue over the medium term the income streams from these investments are imperative.

The Asset Investment Strategy has been developed in conjunction with external advisors CBRE, based on outcomes the Council wishes to achieve and with reference to corporate priorities and risk appetite. A revised Investment Strategy and Investment Review is currently being prepared, to be reported to Executive in March, which will, as a matter of priority be reviewed to ensure that it reflects the current market conditions. This will include potential Brexit impacts, risks of increased cost of financing, and which areas the Council will focus its efforts in reviewing the balance achieved between the twin objectives of regeneration and achieving income. This will also have an increasing emphasis on how schemes contribute to deliver on carbon neutrality in line with Council ambitions. The Strategy seeks to acquire a balanced portfolio of investment assets capable of providing sustainable income streams to support the MTFP, facilitate development and regeneration and support local authority functions.

The objectives to be achieved through three main investment types:-

- ❖ Direct Investment (Medium to high risk and return),
- ❖ Development Debt (Medium risk; medium to high return), or
- ❖ Property Debt Investment (low to medium risk and return)

As part of the decision making process an Investment Management Board (IMB) has been established to oversee the approval of new acquisitions and to undertake a performance management role. This process is supported by independent external advice on each acquisition and also a robustness statement from the Corporate Director of Finance and Systems. The Investment Management Board is a cross-party decision making board consisting of:

- ❖ Leader of the Council
- ❖ The Chief Executive
- ❖ Leader of the Green Party Group
- ❖ Leader of the Conservative Group
- ❖ Leader of the Liberal Democrat Group
- ❖ Executive Member for Finance and Investment

## ❖ Executive Member for Housing and Regeneration

The financial performance of the investment portfolio and of each property within the portfolio is measured and reported on a bi-monthly basis by an officer group to the Executive. Annual reviews of external revaluations and net yield generated are undertaken with a view to making recommendations concerning sales or purchases and any amendments to the adopted strategy to ensure that the main objectives continue to be achieved.

In November 2019 CIPFA issued revised guidance around councils' commercial investment activity which has been reviewed and will be taken into account when considering future opportunities. This includes assessing the proportionality of the size of the Council investment portfolio, the appropriateness of any investments and the Council's legal powers that allow it to invest. Further information on the proportionality of the portfolio is included in this report in Appendix 3 as part of the Prudential and Local Indicators.

The Council will also ensure that future investments are in keeping with the Council's objective and policies around environmental sustainability.

### **TREASURY MANAGEMENT**

The Council also produces a Treasury Management Strategy which is approved by full Council annually as part of the budget setting process.

The Treasury Management Strategy aims to maximise investment interest whilst minimising risk to the Council. The main objective surrounding the Council's investment criteria is security of capital first, liquidity of its cash flows and finally yields.

The Strategy takes account of the Council's capital expenditure plans and ensures that any borrowing requirement to fund these plans remains robust, prudent, affordable and sustainable.

There are close links between the Capital Strategy and Treasury Management Strategy with the Capital Strategy determining the borrowing need of the Council. The take up of debt is done in accordance with the Treasury Management Strategy which involves arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives. The Council makes provision for the repayment of debt over the life of the asset that the borrowing is funding.

A copy of latest Treasury Management Strategy can be found at:

<http://www.trafford.gov.uk/about-your-council/budgets-and-accounts/revenue-and-capital-budgets.aspx>

### **CAPITAL RESOURCES**

#### **External Resources**

External resources available to support the Capital Programme are received from a number of

sources. These include grants from central government departments and agencies, developer contributions in the form of S.106 and S.111 agreements and contributions from bodies interested in specific projects. These resources can be very specific with little, if any, discretion on how they can be applied.

### **Internal Resources**

The restrictions on the ability to apply external resources to specific schemes means that only internal resources are available for application on discretionary investment. Internal resources mainly comprise **prudential borrowing** and **capital receipts** from the sale of surplus council assets. The programme of identifying and sale of these surplus assets is known as the Land Sales Programme.

### **Prudential Borrowing**

Prudential Borrowing is an alternative way of financing capital expenditure. In considering the use of borrowing to support its capital investment proposals the Council must show how stewardship, value for money, prudence, sustainability and affordability can be demonstrated. Examples of schemes that would be appropriate for this type of financing include:

- ❖ Invest to save schemes
- ❖ Investing in income generation schemes

Generally a scheme will only be considered for Prudential Borrowing if the impact on the revenue budget is at least neutral and the scheme has gone through the capital prioritisation and appraisal process. This will ensure that the scheme will contribute to the delivery of council objectives, whilst not placing any additional pressure on the council tax. This process will take account of the risk associated with changes in interest rates (for example, government borrowing rates were increased by 1% overnight on 9<sup>th</sup> October 2019).

The bulk of Council borrowing is linked to the Asset Investment Strategy, which generates a financial return to the Council above the borrowing cost and a lot of the schemes are asset backed.

The Council is required to set prudential indicators, supplemented by local indicators, in accordance with the CIPFA Prudential Code which are designed to support and record decisions taken on affordability, sustainability and professional good practice and these are included within the annual capital budget setting report and approved by full Council.

### **Capital Receipts**

Capital receipts are the income the Council receives from the sale of surplus assets. In line with the Local Government Act 2003 these can only be applied to support capital expenditure, or to repay debts or other liabilities.

Traditionally local authorities have maintained a property review and disposal programme to rationalise property holdings and raise capital but this approach has changed significantly in recent years. The process of review and disposal continues, however rather than the traditional direct

sale of surplus assets which only generates a capital receipt the council can also look into direct development which can increase the value of the eventual capital receipt or may produce a revenue stream which can be used to support wider Council objectives.

In order to maximise the returns from these surplus assets the Corporate Landlord Strategy Group reviews the sites to identify the optimum use for the asset. The result of this review process is an annual Strategic Land Review Programme which reports the delivery method for each site and the potential returns, both capital and revenue, that can be used to support future capital investment and revenue pressures.

## **GOVERNANCE FRAMEWORK**

It is important given the risks surrounding Capital Projects that the appropriate governance framework is in place hence the following processes are in place:

- ❖ The Capital Strategy itself to be presented annually alongside the Medium Term Financial Strategy at Council
- ❖ All new bids are prioritised and assessed by the Corporate Leadership Team
- ❖ All schemes and the overall Capital Programme are subject to approval by the Executive within the overall resource envelope agreed by Council.
- ❖ All new investments within the asset investment strategy are approved by the Investment Management Board and/or the Executive (where appropriate).
- ❖ Responsible Officers are assigned projects in line with their responsibilities
- ❖ The Strategic Place Shaping Board is led by the Executive Member for Housing and Regeneration, and chaired by the Corporate Director for Place. The group monitors the strategic direction of the council's capital investment plans.
- ❖ The progress of the programme is reported to the Executive on a bi-monthly basis.
- ❖ The Council's Finance Procedure Rules identify the parameters within which officers need to manage capital expenditure
- ❖ Regular budget monitoring meetings are held with Directorate Departmental Management Teams.
- ❖ The Capital Programme is subject to Internal and External Audit Review
- ❖ Scrutiny Committee can call in Executive Decisions.

The Capital Programme is agreed annually by the Executive and Council. The Programme, to assist in planning and delivery of schemes, covers three years. Each year the Executive confirm the next three years' Programme, in light of available resources. If priority schemes come forward but insufficient resources are available then the opportunity is taken to review the priority of schemes in the Programme that are not contractually committed alongside new proposals. This ensures that the capital resources available to the Council are used as affectively as possible. The overall process will continue to be led by the Financial Planning Team in the Financial Management Service.

A de-minimis level of £10,000 exists for capital schemes. Schemes with a lower value are assessed for inclusion into the revenue budget. The only exceptions to this are if the scheme is supported by specific external resources.

As part of the budget process and annual review of the Programme a capital bidding round for those projects requiring support from discretionary resources, i.e. capital receipts and prudential borrowing is undertaken. This includes uncommitted schemes in the existing programme giving priority to:-

- ❖ Support the Medium Term Financial Strategy (MTFS) by ensuring that capital investment decisions are not taken in isolation from revenue spending with specific emphasis on delivering future savings and income streams capable of supporting the revenue budget. Also ensuring the right capital assets are fit for purpose for the Council and partners and supports the priorities in the asset management plans.
- ❖ Ensure health and safety and other schemes of a statutory nature are delivered.
- ❖ Support achievement of Corporate Objectives and the 7 key priorities.

Larger schemes have specific working groups, for example leisure strategy developments. The make-up of the groups include service departments, professional services, finance services to ensure that schemes are progressed, monitored and completed in line with the originals proposals. The results and findings of these meetings are reported, on a bi-monthly basis, to Members and Senior Officers. These reports give a progress report on all schemes as well as reporting any amendments to the Investment Programme for scheme slippage and new approvals.

As part of the decision making process for the Asset Investment Programme an Investment Management Board has been established to oversee the approval of new acquisitions and to undertake a performance management role. This process is supported by independent external advice on each acquisition and also a robustness statement from the Corporate Director for Finance and Systems.

## **RISK MANAGEMENT AND RELATIONSHIP WITH OTHER PROCESSES**

It is important to note that the risk appetite is a high level view on the key areas of risk that the Council is willing to accept in pursuit of its objectives.

The risk appetite is also supported by the following:

- ❖ The Council's risk management framework and strategic risk register
- ❖ The governance structure and responsibilities, particularly around the Asset Investment Strategy
- ❖ Risk reporting
- ❖ Monitoring and escalation procedures

It should be noted that aspects of these will be bespoke to individual areas where risk is undertaken, e.g. the treasury portfolio, asset investment strategy, place shaping strategy and direct development strategy for land development etc.

## **KNOWLEDGE AND SKILLS**

The Capital Programme and Treasury Management Strategy are managed by a team of professionally qualified accountants with extensive Local Government finance experience between them. They all follow a Continuous Professional Development Plan (CPD) and attend courses on an

ongoing basis to keep abreast of new developments and skills. The Council's Section 151 Officer is the officer with overall responsibility for Capital and Treasury activities, who is also a professionally qualified accountant and follows an ongoing CPD programme.

All the Council's commercial projects have project teams from all the professional disciplines from across the Council and when required external professional advice is taken.

Internal and external training is offered to members on an annual basis to ensure they have up to date skills to make capital and treasury decisions. A register is also kept on member attendance. The Council also involves members at a very early stage of a projects life cycle.

The Council's Investment Management Board reviews all commercial and investment deals from inception right through to project completion and ongoing performance management and this process is supported by a number of external advisors including CBRE.

The knowledge and skills of officers and members are commensurate with the Council's risk appetite.

## **SUMMARY**

Trafford is committed to ensuring that the quality of services we provide continues to improve and that we meet the changing needs of all our customers and our capital investment plans are tailored towards ensuring this happens.

This Capital Strategy is a document that is reviewed annually to set the standards for optimising investment opportunities for the community of Trafford.

## Capital Programme & Prudential Indicators

### CURRENT CAPITAL PROGRAMME

1. The current value of the three year programme, including re-profiled expenditure from 2018/19 and other changes as reported in the period 8 budget monitoring report is £473.18m, including £262.77 in 2019/20.
2. The Programme can be split into two distinct areas, firstly the General Capital Programme, worth £176.04m, which aims to ensure that the Council can deliver its services in line with the priorities included within the Capital Strategy and secondly the Asset Investment Fund, worth £297.14m, which has been set to support regeneration in the borough and also generate income streams which will support the revenue budget for years to come. These two elements are shown in the table below and are included in this report as :
  - Section 1 : General Capital Programme
  - Section 2 : Asset Investment Fund

| <b>Table 1 - Capital Investment Programme 2020/21</b> | <b>2019/20<br/>£m</b> | <b>2020/21<br/>£m</b> | <b>2021/22<br/>£m</b> | <b>Total<br/>£m</b> |
|---|-----------------------|-----------------------|-----------------------|---------------------|
| <b>Service Analysis:</b>                              |                       |                       |                       |                     |
| Children's Services                                   | 13.68                 | 15.16                 | 7.35                  | 36.19               |
| Adult Social Care                                     | 3.12                  | 2.86                  | 2.86                  | 8.84                |
| Place   | 45.58                 | 44.03                 | 37.73                 | 127.34              |
| Governance & Community Strategy                       | 0.74                  | 0.42                  | -                     | 1.16                |
| Finance & Systems                                     | 2.51                  | -                     | -                     | 2.51                |
| <b>General Programme Total</b>                        | <b>65.63</b>          | <b>62.47</b>          | <b>47.94</b>          | <b>176.04</b>       |
| Asset Investment Fund                                 | 197.14                | 100.00                | -                     | 297.14              |
| <b>Total Programme</b>                                | <b>262.77</b>         | <b>162.47</b>         | <b>47.94</b>          | <b>473.18</b>       |
| <b>Resourcing :</b>                                   |                       |                       |                       |                     |
| Capital Grants  | 18.39                 | 27.82                 | 19.66                 | 65.87               |
| External contributions                                | 12.98                 | 6.62                  | 1.50                  | 21.10               |
| <b>External Resources</b>                             | <b>31.37</b>          | <b>34.44</b>          | <b>21.16</b>          | <b>86.97</b>        |
| Reserves & revenue                                    | 3.83                  | -                     | -                     | 3.83                |
| Borrowing(*)  | 215.04                | 125.30                | 10.96                 | 351.30              |
| Receipts – Land Sales Programme                       | 1.30                  | 12.84                 | 14.40                 | 28.54               |
| <b>Internal Resources</b>                             | <b>220.17</b>         | <b>138.14</b>         | <b>25.36</b>          | <b>383.67</b>       |
| <b>Resourcing total</b>                               | <b>251.54</b>         | <b>172.58</b>         | <b>46.52</b>          | <b>470.64</b>       |
| <b>Surplus / (Deficit)</b>                            | <b>(11.23)</b>        | <b>10.11</b>          | <b>(1.42)</b>         | <b>(2.54)</b>       |

(\*) Borrowing level includes £297.14m for Asset Investment Fund

## **SECTION 1 - GENERAL CAPITAL PROGRAMME**

### **2019/20 PROGRAMME**

3. The current forecasted expenditure for 2019/20 to 2021/22 is £176.04m of which £65.63m relates to 2019/20 and will deliver a number of key projects including:-
- School Places and condition works of £13.08m
  - Adult Social Care of £3.11m
  - Corporate landlord investment of £1.66m
  - Town centre regeneration and investment of £7.01m
  - Leisure Centre Strategy of £8.48m
  - Highways improvements of £23.34m
  - Parks and Open Space improvements of £3.21m
  - Housing Services of £1.62m
  - ICT investment of £2.51m
  - Other investment of £1.61m

### **BUDGET PROCESS**

4. As part of the budget process this year the Programme has been reviewed to ensure it continues to meet Council priorities and remains affordable within the level of resources available; this has involved:-
- Undertaking a capital bidding round for those projects requiring support, in the next three years, from discretionary resources, i.e. capital receipts and prudential borrowing. This included uncommitted schemes in the existing programme giving priority to:-
    - invest to save schemes or those which reduce revenue liabilities,
    - schemes of a mandatory / contractual nature and
    - schemes that meet Council priorities.
  - A full review of all bids was undertaken by the Corporate Leadership Team, with bids prioritised and approved based on available funding
  - An update to the level of all capital resources available to support the new programme.
  - Identifying those schemes that can be financed from other sources e.g. prudential borrowing and external contributions.

### **CAPITAL RESOURCES UPDATE 2020/23**

5. A review of capital resources was undertaken to determine the scope for including schemes in the Programme over the next three years and allowing for the requirement for funding the 2019/20 programme. This indicates total resources of £166.13m, an increase of £47.04m.



| <b>Table 2 – Changes to available resources</b> | <b>Current<br/>£m</b> | <b>Additions<br/>£m</b> | <b>Total<br/>£m</b> |
|---|-----------------------|-------------------------|---------------------|
| Capital Grants                                  | 47.47                 | 43.30                   | 90.77               |
| External contributions                          | 8.12                  | 1.17                    | 9.29                |
| <b>External Resources</b>                       | <b>55.59</b>          | <b>44.47</b>            | <b>100.06</b>       |
| Borrowing                                       | 36.25                 | 6.92                    | 43.17               |
| Revenue & Reserves                              | 0.00                  | 0.45                    | 0.45                |
| Receipts – Land Sales Programme                 | 27.25                 | (4.80)                  | 22.45               |
| <b>Internal Resources</b>                       | <b>63.50</b>          | <b>2.57</b>             | <b>66.07</b>        |
| <b>Resourcing Total</b>                         | <b>119.09</b>         | <b>47.04</b>            | <b>166.13</b>       |

## External Resources

6. External resources available to support the Capital Programme are received from a number of sources. These include grants from central government departments and agencies, developer contributions in the form of S.106 and CIL agreements and contributions from bodies interested in specific projects. These resources can be very specific with little, if any, discretion on how they can be applied.
  
7. **Capital Grants - £90.77m** : These include grants from central government departments and agencies and the major areas include :-
  - **£21.89m** for schools related investment from the Department for Education.
  - **£6.53m** from the Ministry of Housing, Communities and Local Government for disabled facilities grants
  - **£0.43m** from Department for Digital, Culture, Media & Sport as part of a Greater Manchester wide award for a full-fibre initiative
  - **£7.20m** from the Department of Transport to support investment in highways and infrastructure
  - **£12.48m** from Homes England to support infrastructure improvements
  - **£6m** from Transport for Greater Manchester to assist with infrastructure schemes.
  - **£35.90m** from the Mayors Challenge Fund for improving the network for pedestrians and cycle users.
  - **£0.34m** from the Department for Education create places and to improve facilities for pupils with special educational needs and disabilities (SEND).
  
8. Included in the estimate of grants available the opportunity has been taken to adjust allocations for 2020/21 and 2021/22 and make assumptions as to the level of grant expected in 2022/23 resulting in additional resources of **£43.30m**.

| <b>Table 3 : Updated Level of Capital Grants</b> | <b>2020/21<br/>£m</b> | <b>2021/22<br/>£m</b> | <b>2022/23<br/>£m</b> | <b>Total<br/>£m</b> |
|--|-----------------------|-----------------------|-----------------------|---------------------|
| <b><i>New notifications/ Assumptions</i></b>     |                       |                       |                       |                     |
| • Schools Devolved Formula                       | -                     | -                     | 0.36                  | 0.36                |
| • Schools Maintenance                            | 0.01                  | 0.01                  | 1.77                  | 1.79                |
| • Disabled Facilities                            | 0.16                  | 0.16                  | 2.18                  | 2.50                |
| • GM Full-fibre Initiative                       | 0.43                  | -                     | -                     | 0.43                |
| • Highways Structural Maintenance                | -                     | -                     | 1.87                  | 1.87                |
| • Highways - Pot Hole Funding                    | (0.04)                | (0.04)                | 0.14                  | 0.06                |
| • Highways Incentive Fund                        | -                     | -                     | 0.39                  | 0.39                |
| • Mayors Challenge Fund                          | 4.84                  | 13.99                 | 17.07                 | 35.90               |
| <b>Total</b>                                     | <b>5.40</b>           | <b>14.12</b>          | <b>23.78</b>          | <b>43.30</b>        |

9. **External Contributions - £9.29m** : The majority of other external resources are made up of Section 106 contributions from developers which cover all areas of investment. The major areas currently included are :

- **£2.37m** contribution to support infrastructure work for the development at Trafford Waters
- **£4.75m** for the continuing investment in public realm improvements in Altrincham and Stretford town centres. Funded from a mixture of developer contributions including the anticipated S.106 and S.111 contributions relating to the redevelopment of Barton Square.
- **£1.12m** contributions to support proposed improvements in leisure facilities.
- **£1.05m** of contributions to support a range of other projects.

### Internal Resources

10. The restrictions on the ability to apply external resources to specific schemes means that only internal resources are available for application on discretionary investment. Internal resources mainly comprise prudential borrowing and capital receipts.

11. **Prudential Borrowing - £43.17m**: Current investment financed from borrowing is £36.25m and includes:

- £33.68m for development of new leisure centres in Stretford and Altrincham.
- £2.57m of general borrowing to support general investment.

As part of the review of new bids the ability to provide additional income or savings to support borrowing has been assessed and a number of schemes can support being funded in this manner; albeit business cases will be kept under review and assessed against any changes in interest rates prior to final commitment on a project. The proposals put forward for inclusion in the Capital Programme, which total **£6.92m**, are:

- New Chapel and installation of two Resomation Cremators £1.95m
- Purchase and Refurbishment of Care Home £4.00m
- Other schemes £0.97m – a range of borrowing to support other projects.

12. In a few instances, short term borrowing (up to 3 years) will need to be taken out

prior to a receipt or income stream being received which would then be used to service debt costs. This is true for the Council's direct development schemes, such as at the Brown Street or Sale Magistrate Court developments; in these instances the interest incurred would be capitalised as part of the scheme.

13. Based on the current capital programme spend profile there is potential if all schemes are completed in line with programme that an element of temporary borrowing will need to be undertaken until general capital receipts are realised. This position will be monitored throughout the year and any short term borrowing costs will be reported in budget monitoring reports. A small allowance is included within earmarked reserves to cover such costs.
14. **Reserves and Revenue – £0.45m** : There are currently a range of projects supported by the application of reserve including:
- **£0.20m** for investment in Trafford Town Hall for heating, cooling and DDA works
  - **£0.12m** in support of a range of security measures at Trafford Town Hall and Sale Waterside
  - **£0.13m** for the provision of artificial sports surface replacement
15. **Capital Receipts – £22.45m** : A review of the sites included in the current Land Sale Programme has been undertaken and an estimate for 2022/23 has been built into this programme. The land sales programme is a subject of a further report to the Executive. Total capital receipts over the next three years are expected to be £33.68m, of which £11.23m is required to support a funding shortfall in 2019/20, giving a balance of £22.45m available to support the 2020/23 programme.
16. **Self-Development Sites** - Included in the estimate of receipts of £33.68m is £21.65m from the sites that have been identified for self-development by the Council.
17. The table below gives the current position of capital receipts for 2020/21 to 2022/23:

| <b>Table 4 : Capital Receipts</b>                                  | <b>2020/21</b><br>£m | <b>2021/22</b><br>£m | <b>2022/23</b><br>£m | <b>Total</b><br>£m |
|--|----------------------|----------------------|----------------------|--------------------|
| Land Sales Programme   | 4.75                 | 4.67                 | 3.19                 | 12.61              |
| Self-development Returns   | 2.10                 | 14.45                | 5.10                 | 21.65              |
| S.106 Release  | 0.65                 | -                    | -                    | 0.65               |
| Grant Repayments   | 0.07                 | 0.07                 | 0.07                 | 0.21               |
| <i>Less costs :</i>  |                      |                      |                      |                    |
| Disposal costs / MRP allowance                                     | (0.49)               | (0.50)               | (0.45)               | (1.44)             |
| <b>Total Estimated Receipts</b>                                    | <b>7.08</b>          | <b>18.69</b>         | <b>7.91</b>          | <b>33.68</b>       |
| Amount required to support estimated deficit in 2019/20            | (7.08)               | (4.15)               | -                    | (11.23)            |
| <b>Net receipts available to support 2020/23 capital programme</b> | <b>0.00</b>          | <b>14.54</b>         | <b>7.91</b>          | <b>22.45</b>       |

## INDICATIVE CAPITAL PROGRAMME

18. The value of the indicative three year Capital Programme is £168.72m and a summary shown in the table below, with detailed analysis shown in Annex 1. At this stage the figures for 2020/21 are known in detail, whereas the resource position for 2021/22 and 2022/23 is less certain, but these will be updated as resources are confirmed.

| <b>Table 5: Capital Programme and funding</b> | <b>Budget 2020/21</b> | <b>Budget 2021/22</b> | <b>Budget 2022/23</b> | <b>Budget Total</b> |
|---|-----------------------|-----------------------|-----------------------|---------------------|
| <i>Investment :</i>                           | £m                    | £m                    | £m                    | £m                  |
| Children's Services                           | 15.19                 | 5.98                  | 2.13                  | 23.30               |
| Adult Social Care                             | 5.13                  | 5.83                  | 2.97                  | 13.93               |
| Place   | 40.01                 | 47.81                 | 41.09                 | 128.91              |
| Governance & Community Strategy               | 0.42                  | -                     | -                     | 0.42                |
| Finance & Systems                             | 1.23                  | 0.75                  | 0.05                  | 2.03                |
| Place   | 0.13                  | -                     | -                     | 0.13                |
| <b>General Programme Investment</b>           | <b>62.11</b>          | <b>60.37</b>          | <b>46.24</b>          | <b>168.72</b>       |
| <i>Funding :</i>                              |                       |                       |                       |                     |
| Grants  | 33.22                 | 33.77                 | 23.78                 | 90.77               |
| External Contributions                        | 7.37                  | 1.65                  | 0.28                  | 9.29                |
| Revenue & reserves                            | 0.33                  | -                     | 0.12                  | 0.45                |
| Prudential Borrowing                          | 15.46                 | 20.90                 | 6.80                  | 43.17               |
| Capital Receipts available                    | -                     | 14.54                 | 7.91                  | 22.45               |
| <b>Total Funding</b>                          | <b>56.38</b>          | <b>70.86</b>          | <b>38.89</b>          | <b>166.13</b>       |
| <b>Surplus / (Deficit)*</b>                   | <b>(5.73)</b>         | <b>10.49</b>          | <b>(7.35)</b>         | <b>(2.59)</b>       |

\*In the event that there is a financing deficit in year, then this could entail short-term borrowing costs which will be financed from the Major Projects earmarked reserve.

19. Included in the programme are number of "block" allocations which historically have required a further report be presented to a future Executive Meeting to agree the individual schemes to be undertaken over the period.

20. This process has resulted in delays in the ability to deliver the schemes within the appropriate timeframe and therefore affecting delivery of years two and three as schemes have to be carried forward.

21. In order to reduce these delays attached, at Appendix 4, is a list of the schemes to be undertaken in 2020/21 for the areas of the programme covering :

- Public Building Repairs and Compliance Programme - £0.37m
- Integrated Transport Programme - £0.23m
- Highways Structural Maintenance (including street lighting) - £4.10m
- Greenspace Programme - £0.91m.

22. **Public Building Repair and Compliance Programme** - Schemes suitable for capital funding and part of the maintenance and repair programme are assessed by

surveyors and categorised in terms of priority. The programme prioritises works (category 1) required to:

- Address safety issues
- Negate higher maintenance repair bills in the future
- Support commercial decisions such as preparing assets for immediate lease or disposal.

**23. Integrated Transport Programme** – The programme of schemes to be undertaken in 2020/21 has been compiled in line with the adopted Highways Infrastructure Asset Management Plan (HIAMP). The proposed schemes cover the following areas:

- Collision Analysis
- Dropped crossing programme
- Minor Traffic Management schemes
- Traffic Regulation Order Programme
- Sevenways, Stretford
- Borough-wide - Boundary / Village Entry Signs

**24. Highways Structural Maintenance** – The programme of schemes to be undertaken in 2020/21 has been compiled in line with the adopted HIAMP. The rationale for investment in roads and bridges is threefold:

- through resident surveys, “better roads and pavements” are consistently cited as one of the top service areas that residents and businesses wish to see supported;
- roads and bridges are a vital part of ensuring economic growth in the area, providing access to education and recreation for residents and revitalisation of town centres.
- to reduce the deterioration rate of the highway asset, there must be continual investment in maintenance.

25. To ensure the available funding is used optimally, the Integrated Transport and Highways Structural Maintenance programmes are the result of an analysis of condition survey data by officers, in conjunction with feedback from Elected Members, communities, businesses, residents, schools, and focus groups such as the Trafford Cycle Forum.

26. Mayors Challenge Fund – Is a programme of work to deliver the walking and cycling element of ‘Our Network’ plan to transform Greater Manchester, Trafford have been successful in a bid based process with £35.90m being allocated to deliver 6 tranches of work.

**27. Greenspace Programme** – The Council’s greenspace resource is required in order to meet the objectives of Trafford’s Greenspace Strategy. The list of proposed schemes and associated budget allocations have been developed in the context of available conditions surveys and inspection results in the form of:

- Parks infrastructure audit.
- Trafford Countryside Management Partnership infrastructure audit.
- Play Areas annual safety inspection and infrastructure audit.

28. Opportunities for increased investment in the Highways Programmes for 2021/22 and 2022/23 will be prioritised as part of future budget reports.

## SECTION 2 – THE ASSET INVESTMENT STRATEGY

29. The Council's Asset Investment Strategy was originally approved by the Executive in July 2017 with a further update in October 2017 when approval was given to an overall fund of £300m. The Strategy was further updated in October 2018 and in February 2019 an addition £100m was approved into the programme to continue to develop a balanced portfolio of investment assets capable of providing sustainable income streams to support the MTFP, facilitate development and regeneration and support local authority functions. Any activity is financed through prudential borrowing and included in the capital programme.
30. The Board is advised by the Corporate Director of Finance and Systems, the Corporate Director of Place and the Corporate Director of Governance and Community Strategy and to date thirteen transactions have been agreed by the Investment Management Board at a total capital cost of £373m with actual costs incurred totalling £103m by the end of 2018/19. This investment to date has already provided a net benefit to support the revenue budget in 2018/19 of £1.67m and is forecast to provide £4.76m in 2019/20.
31. The current level of commitment for 2019/20 stands at £252.52m and relates to:
- a. The purchase of the K-Site, Stretford was completed in April 2018 and a joint venture company with Bruntwood was set up to progress the development of the site. Works on the university building are now complete with the first intake of students in September 2019. The joint venture is now exploring options and opportunities for the remainder of the site.
  - b. The residential development of the Brown Street site in Hale is being undertaken at a gross cost of £7.16m, inclusive of capitalised interest financing costs of £153k. The projected development value will be £8.81m, giving a net surplus of approximately £1.65m which is in line with the financing assumptions for the overall capital programme.
  - c. The fund is providing three debt facilities funded from PWLB borrowing; one of £60.80m to a developer for the construction of a new residential development at The Crescent, Salford, £60.00m in respect of the CIS building, Manchester and £67.50m in respect of the construction of a new headquarters for the HUT Group. The provision of these facilities was approved by the Investment Management Board as compliant with the Investment Strategy objective of delivering a financial return to support the Council's revenue budget in addition to providing regeneration to the wider Greater Manchester area.
  - d. On the 15<sup>th</sup> of October, the Council purchased the Stretford Mall and the Stamford Quarter, Altrincham, through a joint venture with Bruntwood. This had a total cost of £51.05m, with the cost split between the two partners 50:50. As part of the arrangement, the Council has provided a debt facility to Bruntwood for its share of the cost, which will provide a further revenue return to the Council.
32. The cost of acquisition of Sale Magistrates Court is included within the Investment Fund. A procurement exercise is currently in progress to appraise options for a residential development on the site. Once the final option has been identified, the costs of the scheme will also be included in the fund until a capital receipt is realised. The options for development will be reported to a future Executive Committee meeting.

33. In addition to the capital commitments listed in the following table, the Investment Management Board has also approved the Council to provide a debt facility of £17.62m secured against a portfolio of properties in Manchester City Centre, known collectively as Albert Estate. This facility is funded through surplus cash balances and so is a part of the Council's Treasury Management Strategy, rather than a capital investment.

| <b>Table 6 : Asset Investment Fund</b>            | <b>Asset Category</b> | <b>Prior years spend<br/>£m</b> | <b>Current Commitment<br/>£m</b> | <b>Total<br/>£m</b> |
|---|-----------------------|---------------------------------|----------------------------------|---------------------|
| <b>Total Investment Fund</b>                      |                       |                                 |                                  | <b>400.00</b>       |
| <b>Capital investments</b>                        |                       |                                 |                                  |                     |
| <i>K Site, Stretford:-</i>                        |                       |                                 |                                  |                     |
| Equity in Trafford Bruntwood LLP                  | Equity                | 9.10                            | 3.15                             | 12.25               |
| Development Loan to Bruntwood                     | Debt                  | 9.10                            | 3.15                             | 12.25               |
| Sonova House, Warrington                          | Acquisition           | 12.17                           |                                  | 12.17               |
| DSG, Preston                                      | Acquisition           | 17.39                           |                                  | 17.39               |
| Grafton Centre incl. Travelodge Hotel, Altrincham | Acquisition           | 10.84                           |                                  | 10.84               |
| Trafford Magistrates Court                        | Development           | 4.07                            |                                  | 4.07                |
| The Fort, Wigan                                   | Acquisition           | 13.93                           |                                  | 13.93               |
| Sainsbury's, Altrincham                           | Acquisition           | 25.59                           |                                  | 25.59               |
| Brown Street, Hale                                | Development           | 0.66                            | 6.50                             | 7.16                |
| The Crescent, Salford                             | Debt                  |                                 | 60.80                            | 60.80               |
| CIS building, Manchester                          | Debt                  |                                 | 60.00                            | 60.00               |
| <i>Stretford Mall &amp; Stamford Quarter:</i>     |                       |                                 |                                  |                     |
| Stretford Mall, Equity                            | Equity                |                                 | 8.61                             | 8.61                |
| Stamford Quarter, Equity                          | Equity                |                                 | 16.92                            | 16.92               |
| Acquisition loan to Bruntwood                     | Debt                  |                                 | 25.89                            | 25.89               |
| The Hut Group                                     | Debt                  |                                 | 67.50                            | 67.50               |
| <b>Total Capital Investments</b>                  |                       | <b>102.85</b>                   | <b>252.52</b>                    | <b>355.37</b>       |
| <b>Treasury Investments:</b>                      |                       |                                 |                                  |                     |
| Albert Estate                                     | Debt                  |                                 | 17.62                            | 17.62               |
| <b>Total Treasury Investments</b>                 |                       | <b>0.00</b>                     | <b>17.62</b>                     | <b>17.62</b>        |
| <b>Total Investments</b>                          |                       | <b>102.85</b>                   | <b>270.14</b>                    | <b>372.99</b>       |
| <b>Balance available</b>                          |                       |                                 |                                  | <b>27.01</b>        |

34. The Strategy is being continually monitored and updated to ensure the most appropriate approach is taken going forward. Focus will still be on achieving balanced risk, secure and sustainable income streams into the medium to long






term, with particular emphasis placed on either development or investment debt across a wider geographical area.

35. This activity has generated important income streams which are supporting the revenue budget and in order to provide sufficient headroom for new approvals it is prudent that the fund be increased by a further £100m to £500m. This will initially be utilised to fund deliver development schemes such as the Grafton Centre and Sale Magistrates Court site.

















## **PRUDENTIAL AND LOCAL INDICATORS**

36. The Council is required to set indicators that are designed to support and record decisions taken on affordability and sustainability. There is also a requirement to impose *limits* on the Council's treasury management activities to ensure decisions are made in accordance with professional good practice and risks are appropriate (these are included in the Treasury Management Strategy Report). The Corporate Director of Finance and Systems will monitor these and report on them at appropriate times. The Council can revise these indicators and limits at any time.
37. All the indicators take account of the proposals in this report and a list of Prudential and Local Indicators is included at Appendix 3.



| 2020/2023 INDICATIVE CAPITAL PROGRAMME               |   |               |               |               |              |
|--|---|---------------|---------------|---------------|--------------|
| DESCRIPTION  | Council Priority<br>(See key at end)  | 2020/21<br>£m | 2021/22<br>£m | 2022/23<br>£m | Total<br>£m  |
| <b>Schools</b>                                       |    |               |               |               |              |
| Worthington Primary School                           |   | 1.35          | 0.43          |               | 1.78         |
| Stamford Park Schools                                |   | 5.39          | 1.73          |               | 7.12         |
| Sale High School                                     |   | 0.67          | 0.22          |               | 0.89         |
| Blessed Thomas Holford College                       |   | 4.59          | 1.47          |               | 6.06         |
| Devolved Formula Capital                             |   | 0.86          | 0.36          | 0.36          | 1.58         |
| Capital Maintenance Grant                            |   | 1.77          | 1.77          | 1.77          | 5.31         |
| Delamere School – Hydrotherapy Pool                  |   | 0.29          |               |               | 0.29         |
| Longford Park School – MUGA and building adaptations |   | 0.05          |               |               | 0.05         |
| <b>Sub-total</b>                                     |   | <b>14.97</b>  | <b>5.98</b>   | <b>2.13</b>   | <b>23.08</b> |
| <b>Children's Services</b>                           |   |               |               |               |              |
| Hayeswater Centre – Improving outdoor provision      |    | 0.03          |               |               | 0.03         |
| Youth Services – Street Talk Mobile Unit             |    | 0.04          |               |               | 0.04         |
| Liquid Logic – Children's & Delegation Portals       |   | 0.15          |               |               | 0.15         |
| <b>Sub-total</b>                                     |   | <b>0.22</b>   |               |               | <b>0.22</b>  |
| <b>Adults Social Care</b>                            |  |               |               |               |              |
| Disabled Facility Grants                             |   | 2.88          | 2.88          | 2.87          | 8.63         |
| Assistive Technology/Technology Innovation           |   | 0.10          | 0.10          | 0.10          | 0.30         |
| Right Care For You                                   |   | 0.05          | 0.05          |               | 0.10         |
| Care Home – Purchase                                 |   | 1.40          |               |               | 1.40         |
| Care Home – Refurbishment                            |   | 0.60          | 2.00          |               | 2.60         |
| Shawe Road, Urmston – Complex Needs (Change of use)  |   |               | 0.80          |               | 0.80         |
| Liberty Protection Safeguards (Liquidlogic updates)  |   | 0.10          |               |               | 0.10         |
| <b>Sub-total</b>                                     |   | <b>5.13</b>   | <b>5.83</b>   | <b>2.97</b>   | <b>13.93</b> |

|  | Council Priority<br>(See key at end) | 2020/21<br>£m | 2021/22<br>£m | 2022/23<br>£m | Total<br>£m |
|--|--------------------------------------|---------------|---------------|---------------|-------------|
| <b>Place</b>   |                                      |               |               |               |             |
| Town Centres Loans Fund  | W                                    | 0.10          |               |               | 0.10        |
| Business Loan Scheme   | W                                    | 0.15          | 0.10          |               | 0.25        |
| Altrincham Town Centre – Public Realm  | W                                    | 2.75          | 0.50          |               | 3.25        |
| Stretford Town Centre – Public Realm   | W                                    | 1.50          |               |               | 1.50        |
| Greater Manchester Full Fibre  | W                                    | 0.43          |               |               | 0.43        |
| Manchester Airport Investment  | W                                    | 1.90          |               |               | 1.90        |
| Trafford Waters, Trafford Park - Infrastructure                                      | W                                    | 2.37          | 4.08          |               | 6.45        |
| Public Building Repairs and Compliance Programme (Page 32)                           | W                                    | 0.37          | 0.37          | 0.37          | 1.11        |
| Sale Waterside – Kitchen Improvements  | W                                    | 0.10          |               |               | 0.10        |
| Sale Waterside – Shower and changing facilities                                      | W                                    | 0.03          |               |               | 0.03        |
| Trafford Town Hall – Heating and cooling system                                      | W                                    | 0.15          |               |               | 0.15        |
| Trafford Town Hall and Sale Waterside – Security                                     | W                                    | 0.13          |               |               | 0.13        |
| Trafford Town Hall – DDA Works   | W                                    | 0.05          |               |               | 0.05        |
| Altrincham Leisure Centre  | W                                    | 6.86          | 10.00         | 5.00          | 21.86       |
| Stretford Leisure Centre   | W                                    | 3.97          | 7.00          | 13.00         | 23.97       |
| Leisure Centre – Essential Safety and Compliance Work                                | W                                    | 0.27          | 0.27          | 0.15          | 0.69        |
| Integrated Transport Schemes (Page 33)   | W                                    | 0.23          | 0.19          | 0.18          | 0.60        |
| Mayors Cycling and Walking Challenge Fund  | W                                    | 4.84          | 13.99         | 17.07         | 35.90       |
| Highways Structural Maintenance (Inc Pot Hole & Highways Incentive grants) (Page 34) | W                                    | 3.45          | 3.25          | 3.10          | 9.80        |
| Street Lighting (Page 36)  | W                                    | 0.65          | 0.65          | 0.65          | 1.95        |
| Carrington Relief Road   | W                                    | 8.40          | 6.00          |               | 14.40       |
| Pet Crematorium  | W                                    | 0.06          |               |               | 0.06        |
| New Chapel and Installing resomation cremators                                       | W                                    |               | 1.00          | 0.95          | 1.95        |
| Parks Infrastructure   | W                                    | 0.07          | 0.07          | 0.08          | 0.22        |
| Countryside Access – Infrastructure & Biodiversity                                   | W                                    | 0.04          | 0.04          |               | 0.08        |

|   | Council Priority<br>(See key at end)  | 2019/20<br>£m | 2020/21<br>£m | 2021/22<br>£m | Total<br>£m   |
|---|---|---------------|---------------|---------------|---------------|
| Play Area Refurbishments                                |    | 0.08          | 0.07          | 0.08          | 0.23          |
| Parks & Open Space, Outdoor Sports & RRF - S.106 Funded |    | 0.72          | 0.16          | 0.14          | 1.02          |
| Football Facility Provision                             |    | 0.25          |               |               | 0.25          |
| Sports Provision – Artificial surface replacement       |    |               |               | 0.25          | 0.25          |
| Parking – Legacy Signs Management                       |    | 0.02          |               |               | 0.02          |
| Assistance to Owner Occupiers                           |    | 0.04          | 0.04          | 0.04          | 0.12          |
| Housing Standards / Empty Property Initiatives          |    | 0.03          | 0.03          | 0.03          | 0.09          |
| <b>Sub-total</b>  |   | <b>40.01</b>  | <b>47.81</b>  | <b>41.09</b>  | <b>128.91</b> |
| <b>Governance &amp; Community Strategy</b>              |   |               |               |               |               |
| CCTV Transformation Programme - Phase 2                 |    | 0.42          |               |               | 0.42          |
| <b>Sub-total</b>  |   | <b>0.42</b>   | <b>0</b>      | <b>0</b>      | <b>0.42</b>   |
| <b>Finance &amp; Systems</b>                            |   |               |               |               |               |
| Civica - New Web Front-end                              |    | 0.05          |               |               | 0.05          |
| ICT Services  |    | 0.33          | 0.15          | 0.05          | 0.53          |
| Office 365 - Implementation, training etc.              |    | 0.35          | 0.10          |               | 0.45          |
| Cyber Resilience (link to Office 365)                   |    | 0.20          |               |               | 0.20          |
| Development / Low Code Solution                         |   | 0.15          | 0.15          |               | 0.30          |
| Digital Integration Solution                            |  | 0.15          | 0.15          |               | 0.30          |
| Improved Digital Resilience                             |  |               | 0.20          |               | 0.20          |
| <b>Sub-total</b>  |   | <b>1.23</b>   | <b>0.75</b>   | <b>0.05</b>   | <b>2.03</b>   |
| <b>People</b>   |   |               |               |               |               |
| GMSS - I Tent G-cloud system upgrade                    |  | 0.13          |               |               | 0.13          |
| <b>Sub-total</b>  |   | <b>0.13</b>   |               |               | <b>0.13</b>   |
| <b>GENERAL PROGRAMME TOTAL</b>                          |   | <b>62.11</b>  | <b>60.37</b>  | <b>46.24</b>  | <b>168.72</b> |
| Capital Investment Portfolio                            |   | 200.00        | 0.00          | 0.00          | 200.00        |
| <b>TOTAL INVESTMENT</b>                                 |   | <b>262.11</b> | <b>60.37</b>  | <b>46.24</b>  | <b>368.72</b> |



Building Quality, Affordable and Social Housing



Health and Wellbeing



Successful and Thriving Places



Children and Young People



Pride in Our Area



Green and Connected



Targeted support

## Prudential and Local Indicators – Estimates 2020/23

This section sets out the prudential indicators and local indicators for the Capital Programme and Asset Investment Strategy in accordance with the CIPFA Prudential Code, which are designed to support the decision making on affordability, prudence, sustainability and professional good practice.

It is required by Part 1 of the Local Government Act 2003 and related CIPFA Prudential Code for Capital Finances in Local Authorities that the Council set borrowing limits, which will be done as part of the Treasury Management Strategy and the prudential indicators dealt with in this report before the forthcoming year.

The Prudential Code was revised in 2017 and the major change is the requirement for local authorities to look at capital expenditure and investment plans in light of the overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the authority.

The purpose of this report is to set the prudential and local indicators for Trafford for the three year period beginning 2020/21

All the indicators will be constantly monitored throughout the year. If there appears to be a danger that any of the prudential indicators will be breached for a sustained period of the time, this will be reported to Council at the earliest opportunity.

### Capital Prudential Indicators

|   | <b>2019/20<br/>Revised</b><br>£m | <b>2020/21<br/>Estimate</b><br>£m | <b>2021/22<br/>Estimate</b><br>£m | <b>2022/23<br/>Estimate</b><br>£m |
|---|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Capital Expenditure:</b>   |                                  |                                   |                                   |                                   |
| General Programme   | 65.63                            | 62.11                             | 60.37                             | 46.24                             |
| Investment Strategy   | 197.14                           | 200.00                            | 0.00                              | 0.00                              |
| <b>Capital expenditure</b> - the table above shows the estimated capital expenditure to be incurred for 2019/20 and the following three years. Any forecasts made will vary in line with Government allocation, if any, and as such any forecasts will be updated via the capital monitoring reported through the year. |                                  |                                   |                                   |                                   |
| <b>Capital Financing Requirement as at 31 March</b>   | 462.28                           | 669.54                            | 685.21                            | 683.72                            |
| <b>Capital Financing Requirement (CFR)</b> - this reflects the estimated need to borrow for capital investment (i.e. the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts).   |                                  |                                   |                                   |                                   |
| <b>Financing Cost to Net Revenue Stream</b>   | 4.5%                             | 6.1%                              | 5.8%                              | 6.0%                              |

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| <b>Financing costs to net revenue stream</b> - this indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the Council's net revenue stream. The movement from 2019/20 to 2020/21 reflects a change to the Minimum Revenue Provision calculation in respect of the completion of Investment Fund Reserve. |       |       |       |       |
| <b>Incremental Impact on Band D Council Tax (£)</b>   | £0.00 | £0.00 | £0.00 | £0.00 |
| <b>Incremental impact on band D council tax</b> – reflects the incremental impact on the Council Tax arising from new borrowing undertaken in order to finance the capital investment decisions taken by the Council during the budget cycle. The figures above reflect that any additional borrowing is supported by revenue savings or external support.                            |       |       |       |       |

### Local Indicators for the Asset Investment Strategy

The code requires that the investment strategy includes quantitative indicators that will allow members and the public to assess the authorities total risk exposure as a result of its investment decisions. The indicators are used at the Authorities discretion and will reflect local risk appetite and capital investment strategy.

| Local Indicators for the Asset Investment Strategy   | 2019/20<br>Revised<br>£m | 2020/21<br>Estimate<br>£m | 2021/22<br>Estimate<br>£m | 2022/23<br>Estimate<br>£m |
|--|--------------------------|---------------------------|---------------------------|---------------------------|
| <b>Gross Commercial Income</b>   | 8.09                     | 17.20                     | 13.65                     | 11.85                     |
| <b>Gross Commercial Income</b> – this is the total estimated level of income to be received from the acquisitions of commercial property and provision of senior debt finance and is required to support new debt costs associated the transactions, with any balance supporting the overall revenue budget. |                          |                           |                           |                           |
| <b>Net Commercial Income Stream</b>  | 2.41                     | 7.43                      | 4.60                      | 3.51                      |
| <b>Net Commercial Income Stream</b> – this is the estimated level of income net of any borrowing and other costs to be received from the acquisitions of commercial property and provision of senior debt finance.   |                          |                           |                           |                           |
| <b>External Interest Cost</b>  | 3.04                     | 5.27                      | 5.13                      | 3.76                      |
| <b>External Interest Cost</b> – this is the interest cost of the new debt required to cover the capital cost of the new commercial activity.   |                          |                           |                           |                           |
| <b>Minimum Revenue Provision (2.0% = 50 years)</b>   | 1.33                     | 2.16                      | 2.16                      | 2.16                      |
| <b>Minimum Revenue Provision</b> - this is the amount of income set aside as a provision for the repayment of the debt, required to cover the capital cost of the new commercial activity.   |                          |                           |                           |                           |

|   |       |        |       |       |
|---|-------|--------|-------|-------|
| <b>Risk Reserve</b>   | 1.07  | 1.93   | 1.66  | 0.89  |
| <b>Risk Reserve</b> - this is the amount of income set aside to reserve as contingency in the event of a reduction in commercial income levels.   |       |        |       |       |
| <b>Cumulative Investment Reserve</b>  | 1.26  | 3.18   | 4.84  | 4.45  |
| <b>Cumulative Risk Reserve</b> - this is the cumulative amount of reserve set aside, after annual contributions and deductions, as contingency in the event of a reduction in commercial income levels. |       |        |       |       |
| <b>Gross Commercial Income as proportion of Net Budget</b>  | 4.93% | 10.16% | 7.54% | 6.20% |
| <b>Gross Commercial Income as proportion of Net Budget</b> – this illustrates the proportion of the net budget which is supported by the new commercial income streams.                                 |       |        |       |       |

All the indicators are monitored on a regular basis. If the situation arises that any of the prudential indicators appear that they will be breached for a sustained period, then this will be reported to the Council at the earliest opportunity.

### **Proportionality**

There are two main aspects to proportionality that need to be considered for the whole investment portfolio:

- The extent to which the Council's revenue budget is reliant on income from investments
- The value of the Council's investment portfolio that is made up of investment property

Proportionality for the authority will depend on the risk that the authority is exposed to in relation to its investment portfolio and as a minimum there needs to be an indicator set for the ratio of commercial income to net service expenditure.

Where schemes are more complex in nature the following assessment if appropriate will be made based on weighted average expected losses:

- Identification for each investment opportunity of the substantial loss events that could take place that could have a revenue impact
- Obtaining an estimate from a suitable qualified or experienced person of the range of losses that could take place and the probability of each loss event taking place.
- Identify if there are any earmarked reserves or provisions that are being made to negate risk items.

Once this information has been established calculations are carried out to identify potential revenue risks that will need to be considered as part of the decision making process and what can be done to mitigate areas of risk that are of concern.

Work is being done with external partners who have specialism in this area to access the factors of risk and probability of risk events occurring and to ensure that the appropriate levels in the risk reserves are maintained.



**Block Budget Allocations****Appendix 4**

| <b>Public Buildings Repairs and DDA Compliance Programme 2020/21</b> |                       |
|--|-----------------------|
| <b>Location</b>  | <b>Value<br/>£000</b> |
| Ascot House, Sale  | 133                   |
| Broome House, Old Trafford   | 106                   |
| Chapel Road, Sale  | 12                    |
| Denzel Gardens, Altrincham   | 13                    |
| Unscheduled H&S Works  | 36                    |
| <b>Public Building Repairs Programme Total</b>                       | <b>300</b>            |
| DDA - Compliance with the Equalities Act 2010                        | 70                    |
| <b>Public Buildings Repairs and DDA Compliance Programme 2020/21</b> | <b>370</b>            |

| <b>Integrated Transport Programme 2020/21</b> |                       |
|---|-----------------------|
| <b>Description</b>                            | <b>Value<br/>£000</b> |
| Collision Analysis                            | 40                    |
| Traffic Regulation Orders                     | 15                    |
| Minor Works                                   | 50                    |
| Dropped Crossing Programme                    | 25                    |
| Sevenways, Stretford                          | 20                    |
| Glebelands Road, Sale                         | 40                    |
| Boroughwide – Boundary/village entry signs    | 35                    |
| <b>Integrated Transport Programme Total</b>   | <b>225</b>            |

| <b>Highways Structural Maintenance Programme 2020/21</b> |              |
|--|--------------|
| <b>Location</b>  | <b>Value</b> |
| <b>Asset Management</b>                                  | <b>£000</b>  |
| Large Scale Patching                                     | 300          |
| Public Rights of Way                                     | 63           |
| Drainage   | 320          |
| Markings, Signs and Street Furniture                     | 100          |
| Vehicular safety barriers and Pedestrian guardrail       | 100          |
| Cycleways - Resurfacing Programme                        | 60           |
| Footway Resurfacing Programme                            | 170          |
| Joint Treatment and over banding                         | 100          |
| Surveys  | 70           |
| Serviceability Repairs                                   | 75           |
| Advanced Design  | 55           |
| Highway Trees  | 50           |
| <b>Asset Management Total</b>                            | <b>1,463</b> |
| <b>Surface Dressing / Micro Asphalt</b>                  | <b>£000</b>  |
| A56 Cross Street, Priory                                 | 126          |
| Moss Lane, Hale Central                                  | 27           |
| Great Stone Road, Gorse Hill                             | 63           |
| Flixton Road, Bucklow St. Martins                        | 147          |
| <b>Surface Dressing / Micro Asphalt Total</b>            | <b>363</b>   |
| <b>Highways Resurfacing</b>                              | <b>£000</b>  |
| Braemar Avenue, Stretford                                | 62           |
| Barton Road - Northbound, Davyhulme West                 | 29           |
| Ashburton Road West & Ellesemere Circle, Davyhulme East  | 90           |
| Arthog Road , Hale Barns                                 | 38           |
| Gorsey Lane, Altrincham                                  | 46           |
| <b>Highways Resurfacing Total</b>                        | <b>265</b>   |

| Location   | Value        |
|--|--------------|
| <b>Highways Reconstruction</b>   | <b>£000</b>  |
| Black Moss Road, Bowdon  | 220          |
| Grove Lane Service Rd, Hale Barns  | 31           |
| Mosley Road, Gorse Hill  | 45           |
| Carrington Lane, Bucklow St Martins  | 228          |
| Charcoal Road, Bowdon  | 55           |
| Barton Road - Southbound, Davyhulme East   | 94           |
| Roaring Gate Lane, Hale Barns  | 60           |
| Glebelands Road, Ashton on Mersey  | 43           |
| Carrington Lane, Bucklow St Martins  | 12           |
| <b>Highways Reconstruction Total</b>   | <b>788</b>   |
| <b>Structures</b>  | <b>£000</b>  |
| Bridge Inspections (GI and PI)   | 75           |
| Bridges Asset Management   | 20           |
| Assessment/Studies/Advanced Design   | 40           |
| Bridge Minor Works   | 60           |
| Sale Canal, Bridge - Metrolink station   | 40           |
| Sir Matt Busby Way Canal Bridge, Stretford   | 30           |
| Altrincham Bridgewater Canal Bridge,   | 50           |
| Graythwaite West, Hale Barns(Footbridge replacement)   | 70           |
| Ashton Bridge, Carrington Spur (wards: Bucklow St.Martin, Ashton on Mersey and Urmston boundary) | 135          |
| Church St Retaining Wall, Altrincham   | 50           |
| <b>Structures Total</b>  | <b>570</b>   |
| <b>Highways Structural Maintenance Programme</b>   | <b>3,499</b> |

| Description  | Value<br>£000 |
|--|---------------|
| <b>Street Lighting</b>                                 |               |
| Street Lighting - Signs / zebras                       | 100           |
| Street Lighting - Structural testing                   | 250           |
| Street Lighting - Column failures                      | 300           |
| <b>Street Lighting Total</b>                           | <b>650</b>    |
| <b>Highways Structural Maintenance Programme Total</b> | <b>4,099</b>  |

| <b>Greenspace Programme 2020/21</b>                     |                               |
|---|-------------------------------|
| <b>Location</b>   | <b>Value</b>                  |
| <b>Path Resurfacing</b>                                 | <b>£000</b>                   |
| Abbotsfield Park  | 10                            |
| Walton Park, Sale                                       | 17                            |
| John Leigh Park   | 5                             |
| Longford Park - Younger                                 | 20                            |
| Ashton Park, Sale                                       | 10                            |
| The Devisdale, Bowden                                   | 7                             |
| Victoria Park   | 11                            |
| U Cross Lane Car Park                                   | 7                             |
| Worthington Park  | 8                             |
|   | <b>Path Resurfacing Total</b> |
|   | <b>95</b>                     |
| <b>Parks Infrastructure and Play Equipment Renewal</b>  | <b>£000</b>                   |
| Halecroft Park - Refurbishment of pond and surroundings | 20                            |
| Longford Park - Drainage                                | 85                            |
| Bowdon Recreation Ground - Drainage                     | 55                            |
| Flixton Gardens and Park William Wroe – Drainage        | 25                            |
| Abbotsfield Park, Urmston - Drainage                    | 25                            |
| Davyhulme Park, Urmston - Drainage                      | 25                            |
| Moor Nook Park, Sale Moor - Drainage                    | 25                            |
| Victoria Park - Heritage gates refurbishment            | 30                            |
| Play Area refurbishment - Ensure play areas remain open | 200                           |
| Path system Banky Medows - Access                       | 20                            |
| Wellacre – Access                                       | 10                            |
| Queen's Field – Bike Trail                              | 10                            |
| Sale West Park (Design)                                 | 5                             |
| Contingency   | 10                            |

|  |             |
|--|-------------|
| <b>Parks Infrastructure and Play Equipment Renewal Total</b> | <b>545</b>  |
| <b>Infrastructure &amp; Biodiversity</b>                     | <b>£000</b> |
| Tree Replacement Programme                                   | 182         |
| Countryside Infrastructure                                   | 40          |
| Outdoor Sports Programme                                     | 53          |
| <b>Infrastructure &amp; Biodiversity Total</b>               | <b>275</b>  |
| <b>Greenspace Programme Total</b>                            | <b>915</b>  |

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## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee 5 February 2020  
Executive and Council 19 February 2020  
**Report for:** Decision  
**Report of:** The Executive Member for Finance and Investment and the  
Corporate Director of Finance and Systems

### Report Title

**TREASURY MANAGEMENT STRATEGY 2020/21 – 2022/23**

### Summary

This report outlines the:-

- strategy to be implemented during this period for investments and borrowing,
- outlook for interest rates,
- management of associated risks,
- policy to be adopted on Minimum Revenue Provision (MRP) and
- Prudential Indicators.

### Recommendations

The Accounts & Audit Committee recommend that:

- (a) Executive note the report and
- (b) Council approves the Treasury Management Strategy 2020/21 – 2022/23 including the:
  - policy on debt strategy as set out in section 3;
  - investment strategy as set out in section 5;
  - Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), Operational Boundary, Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

Contact person for access to background papers and further information:

Name: Graham Perkins  
Extension: 4017

Background papers: None

|   |  |
|---|--|
| Relationship to Policy Framework / Corporate Priorities | Value for Money  |
| Financial   | The treasury management strategy will aim to maximise investment interest whilst minimising risk to the Council. The Council's debt position will be administered effectively and any new loans taken will be in-line with that provided for within the Medium Term Financial Plan and Prudential Indicators.  |
| Legal Implications:                                     | Actions being taken are in accordance with legislation, Ministry of Housing, Communities & Local Government (MHCLG) guidance, Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice.  |
| Equality/Diversity Implications                         | Not applicable   |
| Sustainability Implications                             | Opportunities to invest monies in products which both supports sustainable assets and complies with the Council's investment strategy will continued to be explored as and when they become available.   |
| Resource Implications e.g. Staffing / ICT / Assets      | Not applicable   |
| Risk Management Implications                            | The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the treasury management systems and procedures which are independently tested on a regular basis. No Treasury activity is without risk and the Council's in-house treasury management team continually monitor risks to ensure that adverse or unforeseen fluctuations in interest rates are avoided and security of capital sums are maintained at all times. |
| Health & Wellbeing Implications                         | Not applicable   |
| Health and Safety Implications                          | Not applicable   |

## **Summary**

This report has been prepared in accordance with the Council's Financial Procedure Rules number 8 and outlines the forecasted treasury management activities for the forthcoming three years. Additional reports are produced during the course of the year notifying Members of the preceding financial year actual activities together with a current mid-year update.

### **Economic position (Appendix 2)**

The continuing trade wars between China and US together with the uncertainty of Brexit have dominated the economic events of 2019 and look to do so for 2020. Despite these events the International Monetary Fund is forecasting that a slight recovery in world growth will occur in 2020.

### **Debt (Section 3)**

Borrowing interest rates are forecasted to move upwards from their current position. Any new external borrowing will be taken to assist finance the Council's capital borrowing requirement as outlined in the 2020/23 Capital Programme report with all associated costs being contained within the Medium Term Financial Plan.

Debt restructuring exercises will only be undertaken in order to produce revenue savings or reduce overall treasury risk.

### **Investments (See Section 5 and Appendix 3)**

The Council's investment criteria remains unchanged from that previously adopted of SLY, Security of capital first, then Liquidity of its cash flows and finally Yields.

The Council is required to agree the lending criteria, which is primarily determined by credit ratings issued by the 3 major credit rating agencies as detailed at Appendix 3.

### **Prudential Indicators and limits (Section 7 and Appendix 3)**

The Council is required to approve a set of Prudential Indicators and limits ensuring the Council's capital expenditure plans and borrowing remain robust, prudent, affordable and sustainable. These are detailed at Appendix 3 for Member approval.

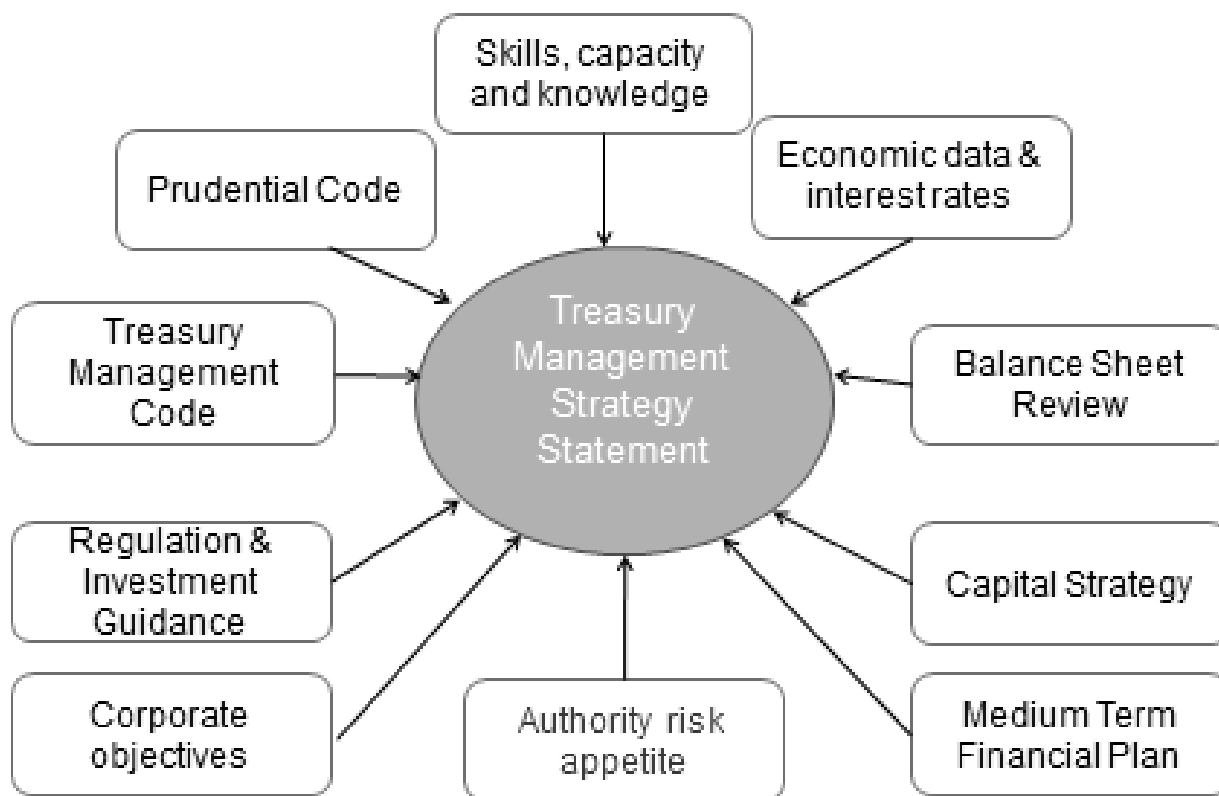
### **Medium Term Financial Plan (See Appendix 7)**

The current forecasted financial requirements of the Council's treasury management functions during this reporting period are shown for Members reference.

## Background

- 1.1 The Council is required to operate a balanced budget with cash raised during the year being used to pay for expenditure incurred. Part of the treasury management operation is to ensure that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet service activity with any temporary surplus monies being invested in low risk institutions.
- 1.2 Another function of this service is to ensure that the Council's capital borrowing requirement, the longer-term cash flow planning, is provided for which may involve arranging long or short-term loans or using longer-term cash flow surpluses. In addition to this and when it is prudent to do so, any debt previously obtained may be restructured.
- 1.3 Treasury management as defined by the Chartered Institute of Public Finance Accountancy (CIPFA) is:  
*"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- 1.4 In 2017 and 2019, CIPFA issued a revised Treasury Management Code of Practice and an update on Prudential Property Investment which primarily focused on non-treasury investments, particularly the purchase of property with a view to generating income. This update has clarified CIPFA's position in that it has now drawn a cleaner separation between treasury and non-treasury investments, the latter being included in the Capital Programme report.
- 1.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are classed as non-treasury activities, (arising usually from capital expenditure) and are separate from the day to day treasury management activities. Details of these transactions are shown in Appendix 8 for reference.
- 1.6 The contribution the treasury management function makes to the Council's overall financial position is significant as failure to provide sufficient funding when needed would result in payments not being made which could have a negative impact on the Council's reputation. In addition to this, cash balances generally result from reserves and balances and it is paramount to ensure adequate security of all monies invested is achieved in order to avoid any potential loss of principal which in turn would result in a loss to the General Fund Balance.
- 1.7 For Members reference the diagram below identifies all factors which are considered in preparing the Annual Treasury Management Strategy:

## Treasury Management – Key Drivers



1.8 Members are required to receive and approve, as a minimum, 3 reports annually which incorporate a variety of policies, forecasts and actuals as follows;

- **Annual treasury strategy** (issued February - is the most important report and includes);
  - A Minimum Revenue Provision (MRP) policy (this reflects capital expenditure previously financed by borrowing and how the principal element is charged to revenue over time),
  - The treasury management strategies (how the investments and borrowings are to be organised) including treasury prudential indicators and limits and
  - An investment strategy (the parameters on how investments are to be managed).
- **Mid-year update** – (issued November / December – this provides an);
  - update for members with the progress of the treasury management activities undertaken for the period April to September and
  - opportunity for amending prudential indicators and any policies if necessary.
- **Annual outturn** – (issued June);
  - this provides details of actual treasury operations undertaken in the previous financial year.

1.9 Each of the above 3 reports are scrutinised by the Accounts & Audit Committee before being recommended to either Executive or Council for final approval.

- 1.10 The In-house treasury management team will ensure that all treasury management transactions undertaken comply with the statutory requirements together with Ministry of Housing Communities & Local Government (MHCLG) Guidance and CIPFA Treasury Management Code of Practice which the Council has previously adopted. A brief outline of these frameworks is provided at Appendix 1.
- 1.11 This report which has been prepared in accordance with the required statutory regulations and guidance includes;
- Economic & Interest Rate forecast (section 2)
  - Debt Strategy (section 3)
  - Minimum Revenue Provision (section 4)
  - Investment Strategy (section 5)
  - Investment Risk Benchmarking (section 6)
  - Prudential Indicators (section 7)
  - Related Treasury Issues (section 8)
  - Medium Term Financial Plan (section 9)
  - Recommendations (section 10).
- 1.12 The Council uses Link Asset Services (LAS) as its treasury management advisors who provide a range of services on all treasury matters from the supply of credit ratings to technical support. The Council recognises that there is value in employing external providers for this service in order to acquire access to specialist skills and resources and the provision of this service is subject to regular review.
- 1.13 Whilst the advisors provide support to the in-house team, the Council recognises that the final decision on all treasury management matters remains with it at all times.
- 1.14 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisors and the Council uses CBRE in relation to this activity.
- 1.15 The Council acknowledges the importance of ensuring that all Members and staff involved in the treasury management function receive adequate training and are also fully equipped to undertake the duties and responsibilities allocated to them. This aspect is further highlighted in the CIPFA Code which requires the responsible officer, Corporate Director of Finance and Systems, to ensure that Members with responsibility for treasury management receive adequate training in treasury management.
- 1.16 For reference Member training events were provided by the Council's in-house team and Link Asset Services in June 2019 and January 2020 and these were further supplemented with more specific training during the course of the year. Officers will continue to attend relevant courses / seminars presented by CIPFA and other suitable professional organisations with additional training for Members being provided when required.

## **2. Economic & Interest Rate forecast**

- 2.1 During 2019 the world economic growth weakened mainly as a consequence of the continuing trade war between the US and China however economic forecasters are predicting that the outlook for world growth will strengthen from its current position during 2020.
- 2.2 Further details of the major economic events which occurred during 2019 and which forecasters are predicting for 2020 are outlined at Appendix 2 for reference.

- 2.3 LAS produces interest rate projections periodically throughout the year and the latest forecasts (November 2019) cover the period up to March 2023, are highlighted in the table below;

| <b>Average rates</b>     | <b>2019-20<br/>Forecast<br/>%</b> | <b>2020-21<br/>Forecast<br/>%</b> | <b>2021-22<br/>Forecast<br/>%</b> | <b>2022-23<br/>Forecast<br/>%</b> |
|--------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Bank Rate                | 0.75                              | 0.81                              | 1.00                              | 1.25                              |
| Investment Rates (LIBID) |                                   |                                   |                                   |                                   |
| 3 month                  | 0.70                              | 0.85                              | 1.08                              | 1.30                              |
| 1 Year                   | 1.00                              | 1.15                              | 1.45                              | 1.70                              |
| PWLB Loan Rates          |                                   |                                   |                                   |                                   |
| 5 Year                   | 2.35                              | 2.50                              | 2.83                              | 3.13                              |
| 25 Year                  | 2.63                              | 3.48                              | 3.78                              | 4.05                              |
| 50 Year                  | 2.45                              | 3.30                              | 3.68                              | 3.95                              |

- 2.4 The above interest rate forecasts have been based on an assumption that there is an agreed deal on Brexit including agreement on the terms of trade between the UK and EU. The result of the general election held in December 2019 has removed much uncertainty on this. However doubt around whether agreement can be reached with the EU on a trade deal by December 2020 remains. Until that major uncertainty has been removed it is unlikely that the MPC would move the Bank Rate.
- 2.5 The Council will continue to adopt a cautious approach to its treasury management activities whilst utilising the information available from both LAS and other external sources which may become available during this time.

### **3. Debt Strategy**

- 3.1 The underlying need to borrow comes from the Capital Financing Requirement (CFR) and represents the level of capital expenditure incurred which has not yet been paid for by revenue or other capital resources, for example capital receipts or grants.
- 3.2 The Council needs to ensure that its debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates going out to 2022/23. Whilst this allows some flexibility for limited early borrowing for future years, it also ensures that borrowing is not undertaken for revenue or speculative purposes. The Corporate Director of Finance and Systems can confirm that the Council has not exceeded the CFR in the current year and does not envisage difficulties for the future.
- 3.3 The CFR is not allowed to rise indefinitely and statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset with an annual revenue charge, the Minimum Revenue Provision (MRP) which reduces the CFR each year.
- 3.4 Also included within the CFR are any other long-term liabilities (e.g. Private Finance Initiative (PFI) schemes and finance leases) and whilst these increase its overall balance the Council's borrowing requirement is not increased as this type of scheme includes a borrowing facility by the PFI or lease provider. The Council currently has £5.1m (31 March 2020) liability of such schemes within the CFR which is set to fall to £4.2m by 31 March 2023 as highlighted in the table below;

| <b>Other long-term liabilities</b> | <b>2019/20<br/>Estimate<br/>£000</b> | <b>2020/21<br/>Estimate<br/>£000</b> | <b>2021/22<br/>Estimate<br/>£000</b> | <b>2022/23<br/>Estimate<br/>£000</b> |
|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Total at 1 April                   | 5,319                                | 5,067                                | 4,799                                | 4,514                                |
| Expected repayment                 | (252)                                | (268)                                | (285)                                | (304)                                |
| Total at 31 March                  | 5,067                                | 4,799                                | 4,514                                | 4,210                                |

- 3.5 With effect from April 2020, the International Financial Reporting Standard 16 will require that all Council leases are also included with the CFR. Whilst the compliance of this new accounting requirement will impact on the Council's overall long term liabilities, it is deemed at this stage to be immaterial.
- 3.6 The total of the Council's loans outstanding as at 31 December 2019 totalled £366.0m and this was made up of loans taken from the Public Works Loan Board (PWLB) £322.1m & the money market (banks & publically funded companies) £43.9m. A breakdown of this debt is provided for reference at Appendix 6.
- 3.7 The Council holds, as mentioned above £43.9m of Market loans and of these £15.0m are held as variable rates of interest in the form of Lender's Option Borrower's Option (LOBO) loans. With regards to this type of loan, the lender has the option to propose an increase in the interest rate at set dates and should this situation occur then the Council can either accept the new rate or repay the loan at no additional cost. In accordance with the Corporate Director of Finance and Systems delegated authority, should an opportunity present itself to repay a LOBO loan then this option will be fully examined to determine whether any financial benefit could be obtained including taking a replacement loan from another lender. The remainder of the Market loans, £28.9m are held at fixed rates of interest.
- 3.8 In addition to the borrowing undertaken directly, the Council is also responsible for a further £0.4m of loan debt administered by Tameside Borough Council. This follows the conversion in February 2010 of loans previously held on behalf of Manchester International Airport into an equity rated instrument.
- 3.9 In line with similar practices adopted by the majority of councils, this Council is currently maintaining an under-borrowed position (CFR balance being higher than the level of external debt). This position has arisen from previous and current years annual CFR (borrowing need), not being fully funded with new loans as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered. As at 31 March 2019 the Council's under borrowed position was £30.9m and this is currently set to rise by 31 March 2020 due to internal borrowing on a number of the Asset Investment Strategy investments.
- 3.10 This policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years due to debt interest rates being consistently higher than investment returns and which is forecasted to continue for the foreseeable future. This situation however will continue to be carefully monitored to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.



- 3.11 There is no budgetary provision included within the Council's MTFP and therefore any new projects requiring borrowing will need to be self-financing.
- 3.12 The Corporate Director of Finance and Systems will continue to monitor interest rates and adopt a sensible approach to changing circumstances within the 2020/21 treasury operations before taking on any new debt to finance a proportion of the Council's capital investment projects or Asset Investment Strategy programme.
- 3.13 Based on the current position the tables below reflect the potential level of long term external debt (loans only) the Council could have for the period 2019/20 to 2022/23 which is used to part fund its capital programme;

| <b>Commercial programme</b> | <b>2019/20<br/>Estimate<br/>£000</b> | <b>2020/21<br/>Estimate<br/>£000</b> | <b>2021/22<br/>Estimate<br/>£000</b> | <b>2022/23<br/>Estimate<br/>£000</b> |
|-----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Total at 1 April            | 91,400                               | 254,922                              | 454,789                              | 454,652                              |
| Expected repayment          | (129)                                | (11,833)                             | (137)                                | (141)                                |
| New requirement             | 163,651                              | 211,700                              | 0                                    | 0                                    |
| Total at 31 March           | 254,922                              | 454,789                              | 454,652                              | 454,511                              |

| <b>General capital programme</b> | <b>2019/20<br/>Estimate<br/>£000</b> | <b>2020/21<br/>Estimate<br/>£000</b> | <b>2021/22<br/>Estimate<br/>£000</b> | <b>2022/23<br/>Estimate<br/>£000</b> |
|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Total at 1 April                 | 129,250                              | 160,791                              | 158,863                              | 159,685                              |
| Expected repayment               | (4,662)                              | (4,662)                              | (3,078)                              | (4,114)                              |
| New requirement                  | 36,203                               | 2,734                                | 3,900                                | 35,450                               |
| Total at 31 March                | 160,791                              | 158,863                              | 159,685                              | 191,021                              |

- 3.14 All interest incurred on the Council's debt is charged directly to treasury management apart from where Executive have previously agreed to capitalise interest and will only be incurred on major development schemes i.e. Brown Street Hale.
- 3.15 In order to assist short term cash flow or finance longer term capital investment, the Council has the powers to borrow new funds from a variety of sources comprising of;
- Other local authorities,
  - The Government via the Public Works Loan Board, (PWLB),
  - Dedicated publicly funded companies e.g. Salix,
  - Municipal Bond Agency, or
  - Financial institutions within the money market (insurance companies, pension funds and banks).
- 3.16 Following the decision by the PWLB on 9 October 2019 to increase their margin over gilt yields by 100 basis points (bps) to 180 bps on loans lent to Councils, it is anticipated that alternative providers of finance will enter into the market for lending to councils although this will take time to develop.
- 3.17 The uptake of new long term debt is done in accordance with a number of factors such as affordability, proposed life of the asset, current interest rate projections and advice obtained from the Council's external advisors.

- 3.18 In the event the Corporate Director of Finance and Systems takes out any new debt or undertakes any restructuring, this action will be processed in accordance with the Council's approved scheme of delegation and reported to Members at the earliest opportunity.
- 3.19 Rescheduling any of the Council's current PWLB loans is unlikely to occur as a result of the PWLB applying the 100 bps increase for new borrowing rates and not to premature debt repayment rates. As a result of this action the early repayment penalty (premium) has increased significantly making any opportunities for any debt restructuring to occur very remote. In the unlikely event any debt rescheduling was done, it will be reported to the Members at the earliest meeting following its action.
- 3.20 The Council retains the flexibility to borrow funds in advance of requirement should market conditions unexpectedly change i.e. a sharp rise in interest rates is suddenly expected and any decision to borrow in advance will ensure that funds are taken within the forward approved CFR estimates and that value for money can be demonstrated.
- 3.21 No new loans will be taken ahead of schedule purely to profit from the investment of the extra sums borrowed and any borrowing taken by the Corporate Director of Finance and Systems in advance of need will be done in accordance with delegated powers and within the constraints stated below;
- no more than 50% of the expected increase in borrowing need (CFR) over the three year planning period is to be obtained in this manner and
  - the Council would not look to borrow more than 12 months in advance of need.
- 3.22 The Council's debt maturity profile is provided at Appendix 4 for reference which also shows, in accordance with the Code of Practice, the potential first date the lending banks could amend the rate of interest for their respective market LOBO loans.
- 3.23 *The Council is required to approve;*
- *the above debt strategy and*
  - *as part of the Prudential Indicators and Limits requirement, the limits for external debt in accordance with the Local Government Act 2003, having regard to CIPFA's prudential code before the commencement of each financial year. These limits are detailed at Appendix 3.*

#### **4. Minimum Revenue Provision Strategy**

- 4.1 The Council is required in accordance with MHCLG regulations to approve an MRP Statement in advance of each year. This Statement details how the Council will set aside annual amounts for the repayment of debt (by reducing the CFR), through a revenue charge MRP and any additional Voluntary Revenue Payments (VRP).
- 4.2 *The Council is requested to approve the MRP Statement as detailed at Appendix 3.*

#### **5. Investment Strategy**

- 5.1 In accordance with both MHCLG and CIPFA guidelines the meaning of 'investments' has now been extended to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the Council's Asset Investment Strategy, are covered in the Capital Strategy, (a separate report).

- 5.2 In the continuing environment of low investment interest rates the Council is restricted in its operations to be able to generate a significant return from its investments without exposing it to additional risk factors. It is easy to forget recent history of counterparties defaulting and ignore market warnings searching for that extra return to ease revenue budget pressures. The Council will not undertake any investment transaction without thoroughly understanding the product and associated risks in full or in any institution which is paying considerably over and above market levels.
- 5.3 The Council's in-house treasury management team places investments with reference to the outlook for short-term interest rates using monies received in advance of spend requirement and from its balances and reserves which it holds. Greater returns are usually obtainable by investing for longer periods and while most cash balances are required in order to manage the ups and downs of the Council's cash flows, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.
- 5.4 On each occasion when investments are made the primary principle will continue to be the same as that adopted in previous years of **SLY**, **S**ecurity of funds, **L**iquidity followed by **Y**ield.
- 5.5 Whilst the active use of Ethical investments is a topic of increasing interest to both members and officers, investment guidance, both statutory and from CIPFA, clearly states that all investing must follow the SLY principles with all ethical issues taking a subordinate role. The Council's in-house treasury management team will continue to both follow this principle and monitor the market in order to be able to take advantage of any new investment product which supports this aspect providing it complies with the current Investment credit criteria.
- 5.6 All of the Council's investments are undertaken in accordance with guidance issued by both the MHCLG and CIPFA and whilst investment risk will never completely be eliminated, it can be minimised. In order to reduce the risk of an institution defaulting, the Council creates and maintains a list of high creditworthy institutions which enables diversification and thereby avoids concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- 5.7 The Council will only use institutions which are located in a country with a minimum Sovereign Long term credit rating of AA-. A list is completed by requiring that each institution included on it has been issued with minimum Long and Short term credit ratings of A- and F1 respectively or equivalent as issued by 2 of the 3 main independent rating agencies Fitch, Moody's and Standard and Poor's. These minimum requirements represent, in the opinion of the credit rating agencies, the long and short term financial strength of that institution.
- 5.8 Credit rating information is supplied by LAS, the Council's treasury advisors, on all active counterparties that comply with the criteria above and is available on a real time basis. Any counterparty failing to meet the criteria would immediately be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

- 5.9 This approach uses real time credit rating information provided by LAS and enables an institution should they meet or no longer meet the minimum credit criteria required to be immediately included on or removed off the approved list.
- 5.10 A full explanation of the credit ratings determining the institutions which the Council will use can be found at Appendix 5.
- 5.11 The Council's in-house treasury management team recognises ratings should not be the sole basis of determining the quality of an institution. To achieve this, the Council will with LAS, monitor market pricing on additional factors such as "credit default swaps" (CDS) and overlay this information on top of the credit ratings. This additional market information is detailed for Members' reference at Appendix 5.
- 5.12 In all instances when funds are being placed, the Council's in-house team will, apart from when it places funds with other local authorities which are predominately unrated and deemed to share the same credit rating as the UK government of AA- and Money Market Funds as the Council only uses AAA+ rated funds, always ensure that the institution:
- has been issued with both a Long and Short term credit rating from 2 of the 3 main agencies,
  - that the credit ratings issued meet the minimum required and the institution appears on the Council's approved list,
  - has a minimum Long Term rating of AA if funds are to be placed for a period in excess of 1 year,
  - that the CDS, where issued, does not show any adverse confidence in the institution and
  - the rate of interest being offered is in-line with levels paid by other institutions in the market for the same period.
- 5.13 Investment instruments identified for use in the financial year together with institution limits are detailed in Appendix 3.
- 5.14 Members are asked to approve this base criteria, however the Corporate Director of Finance and Systems may temporarily restrict further investment activity to those institutions considered of higher credit quality than the minimum criteria set out for approval should any exceptional market conditions be encountered.
- 5.15 Investments will continue to be placed into three categories as follows;
- Short-term – cash required to meet known cash flow outgoings in the next month, plus a contingency to cover any unexpected transaction over the same period with bank call / notice accounts and money market funds being the main methods used for this purpose.
  - Medium-term – cash required to manage the annual seasonal cash flow cycle covering the next 12 months and will generally be in the form of fixed term deposits and ultra-short dated bond funds.
  - Long-term – cash not required to meet any forthcoming cash flow requirements which can be used primarily to generate investment income by using fixed or structured term deposits, certificates of deposits, government bonds or the Local Authority Property Investment fund, after taking into consideration the forecasted interest rate yield curve.
- 5.16 Use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category and these will only be used where the Council's liquidity requirements are safeguarded and be limited to the Prudential Indicator detailed at Appendix 3.

- 5.17 The largest UK banks are required by UK law, to separate core retail banking services (day to day operations) ring-fenced bank, (RFB) from their investment and international banking non-ring-fenced bank, (NRFB) activities from 1st January 2019. This is known as “ring-fencing” and is intended to ensure that the bank’s core activities are not adversely affected from its more risky business. While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not and the Council will continue to assess the banks in the same way that it does with any other investment institution.
- 5.18 The level of the Council’s investments together with the average interest rate, as at 31 December 2019, is provided for reference at Appendix 6.
- 5.19 *The Council is requested to approve;*
- *the adoption of the above Investment strategy and*
  - *the minimum criteria for providing a list of high quality investment institutions, instruments and limits to be applied as set out at Appendix 3.*

## 6. Investment Risk Benchmarking

- 6.1 The CIPFA Code of Practice and MHCLG Investment Guidance require that appropriate security and liquidity benchmarks are considered and reported to Members annually and details of these are provided in Appendix 5.
- 6.2 Benchmarks are simple guides (not limits) to maximum risk for use with cash deposits and so may be breached from time to time, depending on movements in interest rates and institution criteria. The purpose of the benchmark is to assist officers to monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported to Members, with supporting reasons in the Mid-Year or Annual Report. For reference the benchmarks proposed are;

- Security - each individual year the security benchmark is:

| 1 year investments | 2 year investments | 3 year investments |
|--------------------|--------------------|--------------------|
| <b>0.05%</b>       | <b>0.04%</b>       | <b>0.17%</b>       |

Note - This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment. At 31 December 2019 the Council’s default rate of its investments placed was 0.010% which is 0.04% below the 1 year benchmark of 0.05%.

- Liquidity – Weighted Average Life (WAL) - benchmark for 2020/21 is set at 6 months, with a maximum of 3 years for cash time deposits;
  - Liquid short term deposits - at least £5m is available within a weeks notice;
- Yield - Internal returns are aimed to achieve above the 7 day London Interbank Deposit (LIBID) rate without sacrificing any Security aspects.

## 7. Prudential Indicators

- 7.1 A number of prudential indicators have been devised for the treasury management process and these have been prepared to assist managing risk and reduce the impact of an adverse movement in interest rate. These indicators have been set at levels which do not restrict day to day activities whilst at the same time ensure the Council’s capital expenditure plans are prudent, affordable and sustainable.

7.2 *Members are requested to approve the Prudential Indicators for the Council's treasury management activities as detailed at Appendix 3.*

## **8. Related Treasury Issues**

8.1 Greater Manchester Pension fund (GMPF). During April 2017, the Council along with several other Greater Manchester councils paid over to GMPF a discounted advance equivalent to 3 years' of employer pension contributions in order to take advantage of the pension fund's wider investment powers. This initial payment will have run its course by 31<sup>st</sup> March 2020 and another payment consisting of 3 years of discounted employer contributions will be made into the fund in April 2020.

8.2 Asset Investment Strategy. During 2017/18 the Council introduced a programme to acquire suitable assets which will deliver significant economic development and regeneration benefits for the area and/or increase the Council's income generating capacity thereby enabling it to maintain the provision of services in future years.

8.3 Whilst the above projects are policy related activities and therefore not deemed to be treasury management, their implementation will have an impact on the Council's cash flow which is considered on each occasion.

8.4 International Financial Reporting Standards 9 (IFRS9). This was introduced in response to the 2008 financial crisis and is designed to generate transparency in the Council's accounts enabling the reader to fully assess the worth and risk of its financial instruments with any potential losses or profits being taken to the account in full in the year they occur. To mitigate against this MHCLG have issued a 5 year override which expires on 31 March 2023 which will enable councils to either arrange for a planned exit or for potential surpluses to be placed into an unusable reserve and applied to overcome those years when a downward revaluation occurs. Whilst IFRS 9 is primarily a re-classification not a re-valuation exercise and its introduction is not envisaged to have any major impact for the Council there is 1 investment which is effected by this re-classification and that is the CCLA transaction. Whilst this investment generates an excellent return of approximately 4.5% to 5.0% per annum the Council's in-house team will;

- continue to monitor both the monthly valuations received for this investment and the quarterly market forecasts produced to ensure that any potential losses in valuation are kept at worst to a minimum and
- consider setting aside a proportion of the annual interest received into a reserve for use to smooth out any potential losses.

## **9. Medium Term Financial Plan**

9.1 Detailed for reference at Appendix 7 is a headline breakdown of the treasury management budgets for the period 2020/21 – 2022/23 split between Treasury and Non-Treasury activities. Whilst these budgets have been produced using the latest interest rate forecasts and predicted movements in the Council's income and expenditure plans, they will be subject to change due to factors beyond the Council's control i.e. interest rate movements.

## **10. Recommendations**

The Accounts & Audit Committee recommends that:

- Executive note the report and
- Council approves the Treasury Management Strategy 2020/21 – 2022/23 including the:
  - policy on debt strategy as set out in section 3;
  - investment strategy as set out in section 5;

- Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), Operational Boundary, Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

### **Other Options**

This report is a mandatory report which has been produced in order to comply with Financial Procedure Rules and relevant legislation. The MHCLG Guidance and CIPFA Code do not prescribe any particular treasury management strategy for Councils to adopt and there are an unlimited number of other options that the Council could consider as part of its treasury management activities. This report however outlines a clear and practical approach with an appropriate balance between risk management and cost effectiveness and is recommended by the Corporate Director of Finance and Systems.

### **Consultation**

There are no applicable consultation requirements in respect of this report. Advice has been obtained from Link Asset Services, the Council's external advisors.

### **Reasons for Recommendation**

The Financial Procedure Rules, incorporating the requirements of the CIPFA Treasury Management Code of Practice requires that the annual strategy report is provided to the Council as an essential control over treasury management activities. In it the Council approves the parameters under which officers will operate. In addition The Local Government Act 2003 requires that the Council approves an annual borrowing limit (the Authorised Limit) and MHCLG Guidance an annual investment strategy (setting out the limits to investment activities) prior to the commencement of each financial year.

### **Key Decision**

This will be a key decision likely to be taken in: February 2020

This is a key decision currently on the Forward Plan: Yes

**Finance Officer Clearance GB**

**Legal Officer Clearance DS**

**Corporate Director's Signature**



## STATUTORY FRAMEWORK

### Local Government Act 2003

In accordance with the Local Government Act 2003 (and supporting regulations and guidance) each Council must before the commencement of each financial year, produce a report fulfilling three key requirements as stipulated below;

- The debt strategy in accordance with the CIPFA Code of Practice on Treasury Management (section 3);
- The investment strategy in accordance with the MHCLG investment guidance (section 5);
- The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities (Appendix 3).

### CIPFA Code of Practice

The Council's treasury activities are strictly regulated by statutory requirements in conjunction with a professional code of practice (the CIPFA Treasury Management Code of Practice). This Council adopted the Code of Practice on Treasury Management on 24 April 2002 and followed recommended practices by considering an annual Treasury Management Strategy before the commencement of each financial year. These Codes are revised from time to time and the Council complies with any revisions.

### Investment Guidance

MHCLG issued Investment Guidance in 2004 with subsequent amendments being issued periodically thereafter. This Guidance forms the structure of the Council's Investment policy as set out below:

- The strategic guidelines for decision making on investments, particularly non-specified investments;
- Specified investments that the Council will use. These are high security (no guidelines are given defining what this should consist of and each individual Council is required to state what this should be i.e. high credit ratings), high liquidity investments in sterling and with a maturity of no more than a year;
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time;
- The principles to be used to determine the maximum periods for which funds can be committed.



## MAIN ECONOMIC HEADLINES DURING 2019

### GLOBAL-

- The International Monetary Fund issued updated forecasts for world growth at 3.2% for 2019 and 3.5% in 2020.
- The trade war between the US and China continues to impact on the major economies of the world and remains a major concern to the financial markets although Donald Trump's proposal to implement tariffs on European cars by mid-November did not materialise.
- The chance of a disruptive no-deal Brexit as the UK looks to leave the EU have dropped sharply after the UK withdrew objections to a customs border in the Irish Sea

### UK-

- 2019 was a year of upheaval on the political front with Theresa May resigning as Prime Minister and being replaced by Boris Johnson. In December the 3<sup>rd</sup> election in 5 years took place and the outcome of this produced a Conservative Government with a working majority of 80.
- The original deadline for the UK to leave the EU of 31 March 2019 did not occur and this was extended to 31 October 2019 which was consequently extended further to 31<sup>st</sup> January 2020. Following the outcome of the December 2019 general election the Government has a large overall majority and this deal will be passed by this latest date however much uncertainty remains as to the outcome of any trade negotiations.
- Economic growth has been at its slowest annual rate in almost a decade due to the uncertainty from Brexit with a recession only being avoided in quarter 3 when growth was reported at 0.3%. Annual growth is projected to be 1.4% year on year (y/y) for 2019.
- Consumer Price Index (CPI) which started the year off at 1.8% peaked in April and July at 2.1% slightly above the Bank of England's target of 2% before falling to 1.5% in October.
- The Monetary Policy Committee, (MPC) left the Bank Rate unchanged at 0.75% with any potential future movements subject to the outcome of Brexit.
- Unemployment fell from an opening position to 4.0% to 3.8% in September despite the slowdown in growth. Wage inflation also edged down slightly from a high point of 3.9% to 3.8% in August.

### Eurozone –

- Growth in the economy was 0.4% in quarter 1 falling back to 0.2% in quarters 2 & 3 and the level of annual growth for 2019 is expected to be in the region of nearly 1.2% y/y.
- The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018 however at its September meeting it cut the deposit rate further from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt.
- CPI started the year off at 1.0% peaking at 1.7% in April before falling to 0.7% in October the lowest level since November 2016.

- Unemployment fell from an opening position of 7.8% to 7.5% in September 2019, the lowest level since July 2008.

#### US –

- The annual economic rate of growth has slowed in 2019 from the 2018 position of 3.0% and is currently forecasted to be 2.2% for the year.
- Unemployment fell from an opening position of 4.0% in January to 3.6% in October which was a minor increase from the September low of 3.5%.
- CPI inflation fell to 1.5% in February from an opening position off 1.6% then peaked at 2.0% in April before falling back to 1.8% in October.
- The increase in interest rates in December 2018 by The Fed taking them to between 2.25% and 2.50% was the last and in July and September rates were cut by 0.25% on each occasion to 1.75% - 2.00%. A further cut of 0.25% is currently forecast to take place in December.
- The trade war between the US and China continues to depress world growth and this has been seen to have a negative impact in investor confidence.

#### Other –

- China's economic growth for 2019 is forecasted to grow by 6% y/y, the lowest level since 1992 due to the impact of the continuing trade wars with US and domestic issues.
- Japan's economy, the 3<sup>rd</sup> largest in the world is estimated to have grown by 1% in 2019 although the country's government debt is at 224% of GDP. For comparison, the equivalent position for the UK is 85.9%.

### MAIN ECONOMIC FORECASTS FOR 2020

Producing accurate economic forecasts continues to be an extremely difficult task due to the many external factors which have an impact on them. Forecasters are currently predicting the following levels of activity for the year ahead and these will be liable to change as the year progresses;

| Indicator                      | UK    | Eurozone | US    | China |
|--------------------------------|-------|----------|-------|-------|
| <b>Growth Domestic Product</b> | 1.0%  | 1.1%     | 2.0%  | 5.8%  |
| <b>Consumer Price Index</b>    | 2.3%  | 1.2%     | 2.0%  | 2.0%  |
| <b>Unemployment Rate</b>       | 3.8%  | 7.3%     | 3.9%  | 4.0%  |
| <b>Bank Rate</b>               | 0.75% | 0.0%     | 1.50% | 3.50% |

Source - Trading Economics & Organisation for Economic Co-operation and Development

## ELEMENTS FOR COUNCIL APPROVAL

### (including Prudential and Treasury Indicators, Minimum Revenue Provision & Investment Criteria)

In accordance with the current MHCLG Guidance, CIPFA Treasury Management Code of Practice, each council is required to set before the commencement of each financial year Treasury Management Prudential Indicators and limits, a Minimum Revenue Provision Statement and Investment criteria.

*The Accounts and Audit Committee and Executive are requested to recommend that Council approve these for the period 2020/21 – 2022/23 as detailed below.*

### **TREASURY PRUDENTIAL INDICATORS AND LIMITS –**

In accordance with the current CIPFA Prudential code, the Council is required to produce prudential indicators and limits reflecting the projected capital activity regarding its capital investment programme. These have an impact on the Council's treasury management activities and Council is required to approve the prudential indicators and limits affecting treasury management performance as shown below;

|  | 2019/20<br>estimate<br>£m | 2020/21<br>estimate<br>£m | 2021/22<br>estimate<br>£m | 2022/23<br>estimate<br>£m |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Authorised Limit for External debt</b>  |                           |                           |                           |                           |
| - Non-Commercial   | 185.0                     | 185.0                     | 185.0                     | 215.0                     |
| - Asset Investments  | 300.0                     | 500.0                     | 500.0                     | 500.0                     |
| - Other long term Liabilities (PFI)  | 5.5                       | 5.0                       | 5.0                       | 5.0                       |
| <b>Total</b>   | <b>490.5</b>              | <b>690.0</b>              | <b>690.0</b>              | <b>720.0</b>              |
| <b>Authorised external debt limit</b> - This is a key prudential indicator and represents a control on the maximum level of external debt that the Council will require for all known potential requirements. It includes headroom to cover the risk of short-term cash flow variations that could lead to temporary borrowing. This statutory limit as determined under section 3(1) of the Local Government Act 2003 needs to be approved by Council prior to the commencement of each financial year. |                           |                           |                           |                           |
|  | 2019/20<br>estimate<br>£m | 2020/21<br>estimate<br>£m | 2021/22<br>estimate<br>£m | 2022/23<br>estimate<br>£m |
| <b>Operational Boundary for External debt</b>  |                           |                           |                           |                           |
| - Non-Commercial   | 170.0                     | 170.0                     | 170.0                     | 200.0                     |
| - Asset Investments  | 300.0                     | 500.0                     | 500.0                     | 500.0                     |
| - Other long term Liabilities (PFI)  | 5.5                       | 5.5                       | 5.0                       | 5.0                       |
| <b>Total</b>   | <b>475.5</b>              | <b>675.5</b>              | <b>675.0</b>              | <b>705.0</b>              |

|   |                                    |                                    |                                    |                                    |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <b>Operational boundary</b> - calculated on a similar basis as the authorised limit but represents the likely level of external debt that may be reached during the course of the year and is not a limit.  |                                    |                                    |                                    |                                    |
|   | <b>2019/20<br/>estimate<br/>£m</b> | <b>2020/21<br/>estimate<br/>£m</b> | <b>2021/22<br/>estimate<br/>£m</b> | <b>2022/23<br/>estimate<br/>£m</b> |
| <b>Upper limit for Principal sums invested over 1 Year</b>  | <b>110</b>                         | <b>110</b>                         | <b>110</b>                         | <b>110</b>                         |
| <b>Upper Limit for sums invested for over 1 year</b> – these limits are set with regard to the Council’s liquidity requirements. Included within this limit are the Manchester Airport Shares which at 31 March 2019 were independently valued at £52.7m, the Church Commissioners Local Authorities Property Investment Fund investment of £5m and Commercial asset loan £17.6m. |                                    |                                    |                                    |                                    |
|   | <b>2019/20<br/>estimate<br/>£m</b> | <b>2020/21<br/>estimate<br/>£m</b> | <b>2021/22<br/>estimate<br/>£m</b> | <b>2022/23<br/>estimate<br/>£m</b> |
| <b>Upper limits on fixed interest rate exposure based on net debt</b>   | <b>8.3</b>                         | <b>12.3</b>                        | <b>16.8</b>                        | <b>18.0</b>                        |
| <b>Upper limits on variable interest rate exposure based on net debt</b>  | <b>1.0</b>                         | <b>2.0</b>                         | <b>2.1</b>                         | <b>2.3</b>                         |
| <b>Upper Interest Limits</b> – identifies the maximum limit for both fixed and variable interest rates exposure based upon the Council’s debt position net of investments.  |                                    |                                    |                                    |                                    |

| <b>Maturity structure of all external loan debt – 2020/21 to 2022/23</b>  | <b>Forecast (31.03.20) %</b> | <b>Lower limit %</b> | <b>Upper limit %</b> |
|---|------------------------------|----------------------|----------------------|
| Under 12 months   | 9                            | 0                    | 40                   |
| 12 months to 2 years  | 1                            | 0                    | 40                   |
| 2 years to 5 years  | 7                            | 0                    | 40                   |
| 5 years to 10 years   | 12                           | 0                    | 40                   |
| 10 years to 20 years  | 2                            | 0                    | 40                   |
| 20 years to 30 years  | 5                            | 0                    | 40                   |
| 30 years to 40 years  | 37                           | 0                    | 70                   |
| 40 years and above  | 27                           | 0                    | 90                   |
| <b>Maturity Structure of Borrowing</b> – these gross limits are set to reduce the Council’s exposure to large sums falling due for refinancing and reflect the next date on which the lending bank can amend the interest rate for any Lender Option Borrower Option loans the Council currently has. |                              |                      |                      |

**Gross Debt and the Capital Financing Requirement** – this reflects that over the medium term, debt will only be for capital purposes. The Corporate Director of Finance and Systems will ensure that:

- all external debt does not exceed the capital financing requirement with any exceptions being reported to Council and
- this requirement has been complied with in the current year and does not envisage difficulties for future years taking into account current commitments.

All the treasury prudential indicators and limits are monitored on a regular basis with any breaches being reported to Council at the earliest opportunity.

#### **MINIMUM REVENUE PROVISION - (minor changes to policy as highlighted)**

In accordance with the current MHCLG Guidance, the Council shall determine an amount of minimum revenue provision that it considers to be prudent and submit an MRP Statement setting out its policy for the annual MRP to Council for approval. The following MRP Statement has been prepared in accordance with the Council's accounting procedures and is recommended for approval:

- **Capital expenditure financed by Supported Borrowing:** MRP will be calculated on a straight line basis over the expected average useful life of the assets (50yrs);
- **Capital expenditure financed by Prudential Borrowing:** MRP will be based on the estimated life of the assets once operational charged on a straight line or annuity basis in accordance with MHCLG guidance;
- **Asset Investment Strategy financed by Prudential Borrowing:** Voluntary Revenue Provision (VRP) using the periods stipulated within the MHCLG Guidance of up to 50 years will be applied. By adopting this approach it will enable the Council upon the sale of each asset, to either apply the capital receipt or use the VRP receipts to extinguish debt taken. If the capital receipt is applied then the VRP previously set-aside will have been undertaken for no purpose and therefore can be reclaimed. Annual reviews are undertaken to ensure that this policy remains prudent and as at 31 March 2019 the total VRP overpayments were £0.955m and are forecasted to total £2.422m by 31.03.20.
- **PFI schemes and leases shown on the balance sheet:** MRP will be based on the amount of the principal element within the annual unitary service payment and financed from the provision set-up to cover the final bullet payment. Capital receipts are to be used to replenish this provision to ensure any final bullet payment can still be made in 2028/29;
- **Expenditure that does not create an asset:** this is where the Council through the Asset Investment Strategy has made equity investment with Joint Venture companies with VRP being provided and calculated on a straight line basis for periods up to 50 years. Whilst this is a departure from statutory guidance for equity it is equivalent to the period allowed for Investment Property;
- **Use of a Capitalisation Direction:** Expenditure incurred in response to the issuance of a Capitalisation Direction by Central Government, MRP will be made over a period not exceeding 20 years, in accordance with the 2018 Guidance;
- **Lending to a third party:** In instances where the Council lends funds to a third party and in accordance with the guidelines issued (February 2018) by the

Secretary of State, MRP is required to be provided over the useful life of the asset created. The Council in this instance will not follow the guidance but rather treat any advance as “Serviced debt” and therefore no MRP will be set-aside providing there is an agreed repayment date. Annually the Council will undertake a financial assessment of the third parties ability to repay the debt and where any adverse changes are perceived to be occurring then a provision will be created to cover any future potential financial losses.

## **INVESTMENT CRITERIA – (minor changes to policy as highlighted)**

### **Counterparty Selection**

The Council will only use institutions which are located in a country with a minimum Sovereign Long term credit rating of AA-. The individual credit criteria, is highlighted below and for categories 1 to 4 and 6 this will be applied to both Specified and Non-specified investments. Category 5 applies only to The Church Commissioners Local Authorities Property Investment fund.

The limits shown in the table below are set at a contingency level and operationally monies will be placed with a number of institutions with a maximum 20% of the portfolio being placed with any one institution at the time each investment is made. This situation will be monitored during the course of the year with any corrective action being undertaken at the first opportunity without any financial penalty being incurred.

|   | <b>Fitch (or equivalent) – Long Term</b> | <b>Maximum Group Limit</b>                     | <b>Maximum Time Limit</b> |
|---|--|--|---------------------------|
| <b>Category 1 –</b><br>•UK & Non UK Banks (bank subsidiaries must have a parent guarantee in place),<br>•UK Building Societies<br>Institutions must also have an individual minimum short term credit rating of – Fitch F1 or equivalent. | AA to AAA                                | £75m   | 3yrs                      |
|   | A+ to AA-                                | £25m   | 1yr                       |
|   | A- to A                                  | £10m   | 1yr                       |
| <b>Category 2 –</b><br>UK Banks part nationalised - Royal Bank of Scotland. This bank or its subsidiaries can be included provided it continues to be part nationalised or meets the ratings in category1 above.                          | -  | £20m   | 1yr                       |
| <b>Category 3 –</b><br>The Council’s own banker for transactional purposes if the bank falls below the above criteria.  | -  | n/a  | 1day                      |
| <b>Category 4 –</b><br>•Pooled Investment Vehicles:<br>➤ Money Market Funds<br>➤ Ultra-Short Dated Bond Funds<br>➤ Social & Ethical funds   | AAA                                      | (previously £100m per fund)<br>(£20m per fund) | 3yrs                      |
|   | AA                                       | (£15m per fund)                                | 3yrs                      |
|   | -  | (£5m per fund)                                 | 10yrs                     |

|   | <b>Fitch (or equivalent) – Long Term</b> | <b>Maximum Group Limit</b> | <b>Maximum Time Limit</b> |
|---|--|----------------------------|---------------------------|
| <b>Category 4 cont. –</b>                                     |  |                            |                           |
| • UK Government (including treasury bills, gilts and the DMO) | -  | (£20m)                     | 3yrs                      |
| • Local Authorities   | -  | (£10m per LA)              | 3yrs                      |
| • Supranational Institutions                                  | -  | (£20m)                     | 1yrs                      |
| <b>Category 5 –</b>   |  |                            |                           |
| • Local Authority Property Investment fund                    | -  | £10m                       | 10yrs                     |
| <b>Category 6 –</b>   |  |                            |                           |
| • Support the Asset Investment Strategy                       | -  | (previously £25m)<br>£50m  | 5yrs                      |

### **Specified and Non Specified Investments – (no change)**

In accordance with the current Code of Practice, the Council is required to set criteria which identify its investments between Specified and Non Specified investments and these are classified as follows;

- Specified investments are high security and liquid investments with a maturity of no more than a year or those which could be for a longer period but where the Council has the right to be repaid within one year if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. All investments can be held under this definition,
- Non specified investments are any other type of investment not defined as specified above. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity. A maximum of £110m is permitted to be held in this classification as detailed in Appendix 3, Prudential Indicator (5) Upper limit for sums invested over one year.

### **Instruments & Maximum period**

All Investments will be undertaken in Sterling in the form of Term Deposits, Money Market Funds, Ultra Short Dated Bond Funds, Treasury Bills, Bonds, Gilts or Certificates of Deposits unless otherwise stated below;

### **Specified Investments**

| <b>Investment</b>  | <b>Maximum Maturity</b> |
|--|-------------------------|
| <b>The UK Government</b> including Local Authorities and Debt Management Office.             | 1 Year                  |
| <b>Supranational bonds</b> of less than one year duration (e.g. International Monetary Fund) | 1 Year                  |

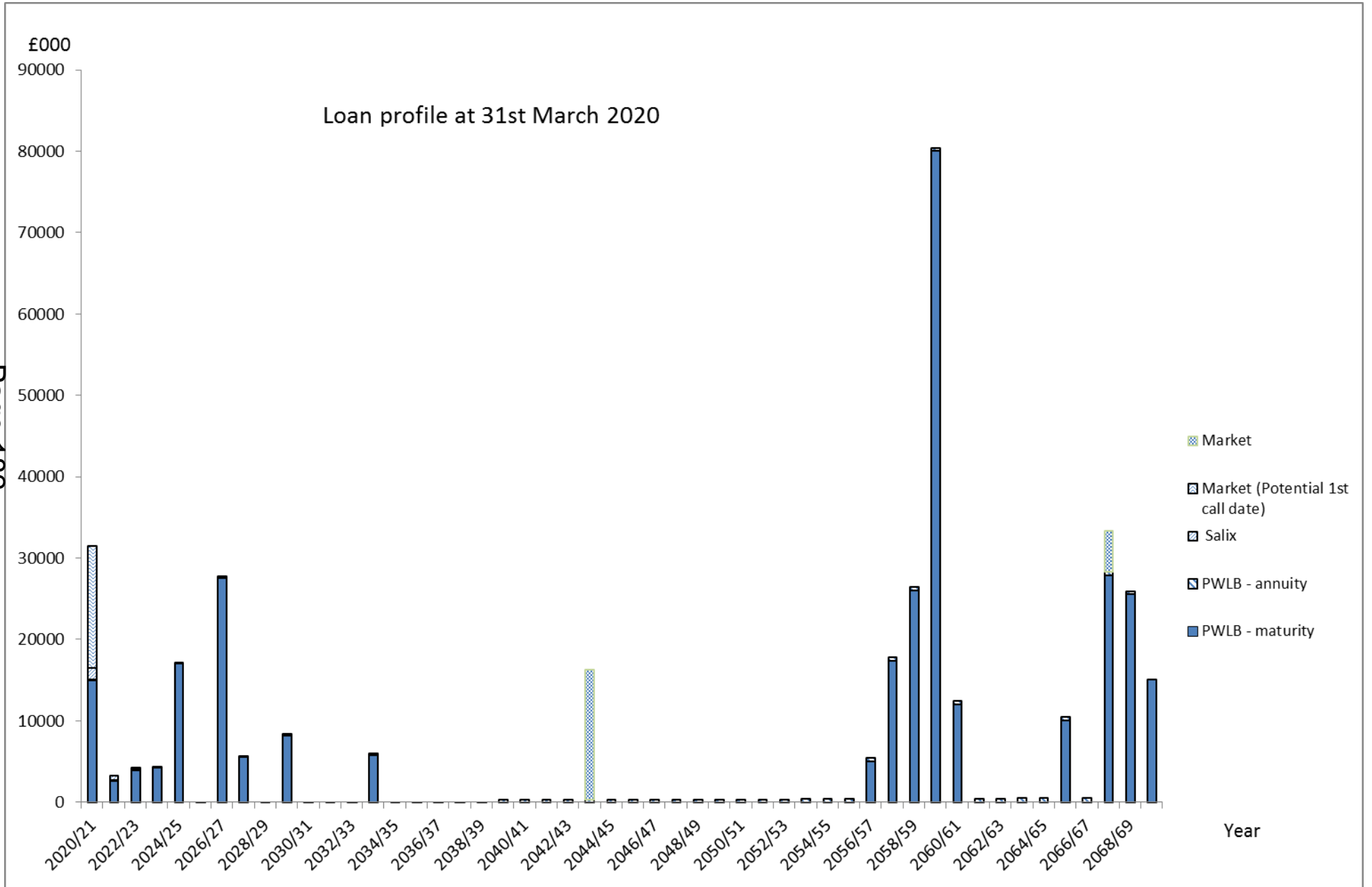
| <b>Investment cont.</b>  | <b>Maximum Maturity</b> |
|--|-------------------------|
| <b>Pooled investment vehicles</b> such as money market funds (including the revised categories of Low Volatility Net Asset value and variable Net Asset Value funds) Social & Ethical funds and low volatility bond funds. | 1 Year                  |
| <b>An institution</b> that has been awarded a high short term credit rating (minimum F1 or equivalent) by a credit rating agency, such as a bank or building society.  | 1 Year                  |

### **Non-Specified Investments**

| <b>Investment</b>   | <b>Maximum Maturity</b> |
|---|-------------------------|
| <b>Multilateral development bank bonds</b> - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. World Bank).<br><br>The security of principal and interest on maturity is on a par with the Government and these bonds usually provide returns above equivalent gilt edged securities. The value of the bond may rise or fall and losses may accrue if the bond is sold prematurely. | 3 Years                 |
| <b>Gilt edged securities.</b> These are Government bonds and provide the highest security of interest and principal. The value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.  | 3 Years                 |
| <b>The Council's own bank</b> if it fails to meet the basic credit criteria with balances being kept to a minimum.  | 1 Day                   |
| <b>UK Banks which have significant Government holdings</b>  | 1 Year                  |
| <b>Any bank or building society</b> which meets the minimum long term credit criteria detailed in Appendix 3, for deposits with a maturity of greater than one year (including forward deals in excess of 1 year from inception to repayment).  | 3 Years                 |
| <b>The UK Government</b> including Local Authorities and Debt Management Office.  | 3 Years                 |
| <b>Pooled investment vehicles</b> such as money market funds (including the revised categories of Low Volatility Net Asset value and variable Net Asset Value funds) Social & Ethical funds and low volatility bond funds.  | 10 Years                |



| Investment   | Maximum Maturity |
|--|------------------|
| <p><b>Share capital or loan capital</b> in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. It is envisaged this facility will apply to the Manchester Airport share-holding which the Council holds at a historical value of £52.7m as reported in the 2018/19 Statement of Accounts. It is not envisaged that this type of investment will be undertaken in the future.</p> | Unspecified      |
| <p><b>Manchester Airport Group</b> – This is in response to the restructuring of the airports existing debt and is included for clarity and transparency purposes only.</p>  | Term of loans    |
| <p><b>Church Commissioners Local Authorities Property Investment Fund</b> - This fund is aimed solely for use by public sector organisations wishing to invest in the property market whilst at the same time generating a favourable rate of return.</p>  | 10 Years         |
| <p><b>Support the Asset Investment Strategy</b> - where external borrowing to support the investment would not be in accordance with the CIPFA Prudential Code.</p>  | 5 Years          |



## APPENDIX 5

### INVESTMENT CREDIT AND INSTITUTION RISK MANAGEMENT

The Council receives credit rating advice from its treasury management advisers as and when ratings change and institutions are checked promptly to ensure they comply with the Council's criteria. The criteria used are such that any minor downgrading should not affect the full receipt of the principal and interest. Any institution failing to meet the criteria, or those on the minimum criteria placed on negative credit watch, will be removed from the list immediately and if required new institutions which meet the criteria will be added.

| Classification | Description   | Credit Rating Agency                            |  |  |
|----------------|---|---|--|--|
|                |   | Fitch<br>(Minimum)                              | Moody's<br>(Minimum)                     | Standard & Poors<br>(Minimum)              |
| Short Term     | Ensures that an institution is able to meet its financial obligations within 1 Year       | F1<br>(Range <b>F1+</b> ,<br><b>F2 A to D</b> ) | P1<br>(Range <b>P1</b> to<br><b>P3</b> ) | A1<br>(Range <b>A-1</b> ,<br>to <b>C</b> ) |
| Long Term      | Ensures that an institution is able to meet its financial obligations greater than 1 Year | A-<br>(Range <b>AAA</b><br>to <b>D</b> )        | A3<br>(Range <b>AAA</b><br>to <b>C</b> ) | A-<br>(Range <b>AAA</b><br>to <b>CC</b> )  |

The Council's list of Investment institutions is prepared primarily using credit rating information, full regard is also given to other available information on the credit quality of each institution in which it invests. The information below will continue to be considered when undertaking investments;

- Credit default swaps - CDS were first created in 1997 and are a financial instrument for swapping the risk of debt default. Essentially the owner of the debt would enter into an agreement with a third party who would receive a payment in return for protection against a particular credit event – such as default. Whilst absolute prices can be unreliable, trends in CDS spreads do give an indicator of relative confidence about credit risk.
- Equity prices – like CDS prices, equities are sensitive to a wide array of factors and a decline in share price may not necessarily signal that the institution in question is in difficulty.
- Interest rates being paid - If an institution is offering an interest rate which is out of line with the rest of the market this could indicate that the investment is likely to carry a high risk.
- Information provided by management advisors – this may include some information detailed above together with weekly investment market updates.

- Market & Financial Press information – information obtained from the money market brokers used by the Council in respect of interest rates & institutions will also be considered.

No investment will be made with an institution if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

### Investment Limits

In order to further safeguard the Council’s investments and in addition to the information shown at Appendix 3, due care will be taken to consider country, group and sector exposure as follows;

- **Country** – this will be chosen by the credit rating of the Sovereign state as shown at Appendix 3 and no more than 40% of the Council’s total investments will be directly placed with non-UK counterparties at any time;
- **Group** – this will apply where a number of financial institutions are under one ownership (e.g. Royal Bank of Scotland / Nat West) and the Group limit will be the same as the individual limit for any one institution within that group;
- **Sector** limits will be monitored regularly for appropriateness.

### Investment Risk benchmarking

Security and liquidity benchmarks are central to the approved treasury strategy through the institution selection criteria and proposed benchmarks for these are set out below.

**Security** - A method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council’s investment strategy. The table below shows average defaults for differing periods of investment grade products for each of Fitch, Moody’s and Standard and Poors long term rating category over the period 1981 to 2018. The Council can generally place investments up to a maximum period of 3 years and for this purpose will only use high rated institutions in order to ensure any potential risk in the form of defaults are kept to a minimum. Investments placed over 1 year but up to 3 years are placed with higher rated institutions in order to ensure that any potential risk of default as highlighted in the table below is kept to a minimum.

| Long term rating | Average 1 yr default | Average 2 yr default | Average 3 yr default | Average 4 yr default | Average 5 yr default |
|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>AAA</b>       | 0.04%                | 0.10%                | 0.17%                | 0.26%                | 0.36%                |
| <b>AA</b>        | 0.02%                | 0.04%                | 0.09%                | 0.17%                | 0.24%                |
| <b>A</b>         | 0.05%                | 0.14%                | 0.26%                | 0.40%                | 0.56%                |
| <b>BBB</b>       | 0.15%                | 0.42%                | 0.73%                | 1.10%                | 1.47%                |
| <b>BB</b>        | 0.68%                | 1.92%                | 3.34%                | 4.73%                | 5.95%                |
| <b>B</b>         | 2.80%                | 6.78%                | 10.40%               | 13.48%               | 15.85%               |
| <b>CCC</b>       | 18.82%               | 26.40%               | 31.62%               | 35.13%               | 38.19%               |

The Council’s minimum long term rating criteria is currently “A-”, meaning the average expectation of default for a one year investment in an institution with

a “A-” long term rating would be 0.05% of the total investment (e.g. for a £1m investment the average loss would be £500). This is only an average as any specific institution loss is likely to be higher.

**Liquidity** – The current CIPFA Treasury Management Code of Practice defines this as *“having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable at all times to have the level of funds available which are necessary for the achievement of its business/service objectives”*.

The availability of liquidity and the period of risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio (shorter WAL would generally represent less risk).

## INVESTMENT &amp; EXTERNAL DEBT POSITION – December 2019

|                                      | Principal<br>£m | Average<br>Rate<br>% |
|--------------------------------------|-----------------|----------------------|
| <b>DEBT</b>                          |                 |                      |
| <b>Commercial Programme</b>          |                 |                      |
| Fixed rate:                          |                 |                      |
| - PWLB                               | 200.8           | 2.23                 |
| <b>Sub-total</b>                     | <b>200.8</b>    | <b>2.23</b>          |
| <b>General Capital Programme</b>     |                 |                      |
| Fixed rate:                          |                 |                      |
| - PWLB                               | 121.3           | 3.08                 |
| - Market                             | 23.9            | 4.21                 |
| <b>Sub-total</b>                     | <b>144.5</b>    | <b>3.28</b>          |
| <b>Variable rate:</b>                |                 |                      |
| - PWLB                               | 0.0             | 0.0                  |
| - Market                             | 15.0            | 4.24                 |
| <b>Sub-total</b>                     | <b>15.0</b>     | <b>4.24</b>          |
| <b>Temporary – cash flow</b>         |                 |                      |
| Fixed rate:                          |                 |                      |
| - Market                             | 5.0             | 0.67                 |
| <b>Sub-total</b>                     | <b>5.0</b>      | <b>0.67</b>          |
|                                      |                 |                      |
| <b>Total debt</b>                    | <b>366.0</b>    | <b>2.70</b>          |
| <b>INVESTMENTS</b>                   |                 |                      |
| <b>Internally managed</b>            |                 |                      |
| Fixed rate                           | (79.1)          | 0.98                 |
| Variable rate                        | (14.3)          | 0.80                 |
| <b>Sub-total</b>                     | <b>(93.4)</b>   | <b>0.95</b>          |
| <b>Externally managed</b>            |                 |                      |
| Church Commissioners Local Authority | (5.0)           | 4.77                 |
| Asset Investment Programme           | (17.6)          | n/a                  |
| <b>Sub-total</b>                     | <b>(22.6)</b>   | <b>3.98</b>          |
|                                      |                 |                      |
| <b>Total Investments</b>             | <b>(116.0)</b>  | <b>1.54</b>          |
|                                      |                 |                      |
| <b>NET ACTUAL DEBT</b>               | <b>250.0</b>    |                      |

## SUMMARY MEDIUM FINANCIAL PLAN 2020/21-2022/23

## Non-Treasury items

|                             | 2020/21<br>£000 | 2021/22<br>£000 | 2022/23<br>£000 |
|-----------------------------|-----------------|-----------------|-----------------|
| <b>EXPENDITURE</b>          |                 |                 |                 |
| Loan Interest               | 4,476           | 4,270           | 3,664           |
| Loss of Investment interest | 791             | 856             | 99              |
| MRP                         | 2,156           | 2,159           | 2,163           |
| Sub-total                   | 7,423           | 7,286           | 5,926           |
| <b>RECHARGES</b>            |                 |                 |                 |
| Sub-total                   | (7,423)         | (7,286)         | (5,926)         |
| <b>NET TOTAL</b>            | 0               | 0               | 0               |

## Treasury items

|                                     | 2020/21<br>£000 | 2021/22<br>£000 | 2022/23<br>£000 |
|-------------------------------------|-----------------|-----------------|-----------------|
| <b>EXPENDITURE</b>                  |                 |                 |                 |
| Loan Interest                       | 4,765           | 4,753           | 5,329           |
| MRP                                 | 5,337           | 5,525           | 6,420           |
| Premium                             | 548             | 548             | 548             |
| Other – Sale PFI interest etc.      | 393             | 380             | 367             |
| Sub-total                           | 11,043          | 11,206          | 12,664          |
| <b>INVESTMENTS</b>                  |                 |                 |                 |
| Interest                            | (1,599)         | (1,262)         | (869)           |
| MAG                                 | (7,765)         | (7,832)         | (7,832)         |
| Sub-total                           | (9,364)         | (9,094)         | (8,701)         |
| <b>RECHARGES (ex. Non-treasury)</b> |                 |                 |                 |
| Sub-total                           | (143)           | (143)           | (1,995)         |
| <b>NET TOTAL</b>                    | <b>1,536</b>    | <b>1,969</b>    | <b>1,968</b>    |

## NON-TREASURY ACTIVITIES

Details of the actual spend incurred on the Council's non-treasury activities undertaken as at 31<sup>st</sup> December 2019 are outlined below:

| Description   | Total £m     | Purpose  |
|---|--------------|--|
| <b>General</b>  |              |  |
| Manchester Airport Group                                    | 19.9         | Regeneration – 2 Shareholder loans   |
| Homestep  | 0.7          | Regeneration – Capital loan monies advanced to assist first time buyers to acquire property within Trafford      |
| Town Centre   | 0.2          | Regeneration – Capital loan monies advanced to assist businesses occupy empty high street units within Trafford. |
| <b>Sub-total</b>  | <b>20.8</b>  |  |
| <b>Asset Investment Property</b>                            |              |  |
| Sonova House - Warrington                                   | 12.2         |  |
| DSG - Preston   | 17.4         |  |
| The Grafton Centre - Altrincham                             | 10.8         |  |
| Magistrates Courts - Sale                                   | 4.1          |  |
| Walthew House Lane - Wigan                                  | 13.9         |  |
| Sainsbury's Altrincham                                      | 25.6         |  |
| Former Sorting Office - Stretford                           | 0.8          |  |
| The Crescent - Salford                                      | 28.6         |  |
| Project Devonshire - Manchester                             | 60.0         |  |
| Altrincham & Stretford Shopping Malls - Equity contribution | 25.3         |  |
| Trafford / Bruntwood loan                                   | 25.3         |  |
| K Site Old Trafford - Equity contribution                   | 10.5         |  |
| Trafford / Bruntwood loan                                   | 10.5         |  |
| Brown Street Hale   | 2.3          |  |
| <b>Sub-total</b>  | <b>247.3</b> |  |
| <b>TOTAL</b>  | <b>268.1</b> |  |



## TRAFFORD BOROUGH COUNCIL

**Report to:** Executive and Council  
**Date:** 19 February 2020  
**Report for:** Decision  
**Report of:** The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems

### Report Title

**FEES, CHARGES & ALLOWANCES 2020/21**

### Summary

This report summarises the salient features of the annual review and pricing of the Council's main fees and charges. The booklet that details individual fees and charges can be found on the Council's website in the area that supports the agenda.

The Fees and Charges booklet represents the main fees and charges to the public upon which the Executive's proposed budget for 2020/21 has been based. Fees and charges have been reviewed and amended as appropriate either by regulation or as aligned to the budget and service planning process. New charges for 2020/21 or revised wording to existing charges are highlighted in blue on the schedule and significant changes are referred to in paragraph 3.3 below.

In particular policy proposals reflected in this report:

- Licensing – a new Export Health Certificate (fishery products) that will be required post EU exit;
- Licensing - Taxi Driver Knowledge Test and Re-sit fees which were introduced on 1 September 2019, as approved by Council in February 2019.

The fees and charges are inclusive of VAT, where indicated, and delegated authority to Corporate Directors and the Corporate Director of Finance and Systems, is sought to amend the level of the relevant fee or charge as appropriate if there are changes to the rate of VAT during 2020/21, which is the Council's traditional practice.

As in previous years, the majority of fees and charges have been coded as to the extent of discretion the Council has to establish the fee or charge, and then the level of discretion to determine the level of fee or charge.

## **Recommendation(s)**

That the Executive:

1. Recommends to Council that it approves the following;

- The Fees and Charges for 2020/21 and those relating to Registration of Births, Death & Marriages also shown for 2021/22, as set out in the booklet available on the Council's web site;
- That approval is delegated jointly to each Corporate Director with the Corporate Director of Finance and Systems to amend fees and charges during 2020/21 in the event of any change in the rate of VAT, as appropriate;
- That approval be delegated jointly to each Corporate Director with the Corporate Director of Finance and Systems to amend fees and charges during 2020/21 under delegated powers where the economics of the charge levels have changed (e.g. costs have risen unexpectedly), or for commercial reasons.

### **Contact person for access to background papers and further information:**

Name: Councillor Tom Ross, Executive Member for Finance and Investment  
Nikki Bishop, Corporate Director of Finance and Systems  
Extension: 4884

Background Papers: None

### **Implications:**

|   |   |
|---|---|
| Relationship to Policy Framework/Corporate Priorities | Value for Money.<br>The proposed draft budget for 2020/21 supports all key priorities and policies.   |
| Financial   | The report sets out the proposed Fees and Charges for 2020/21 and those relating to Registration of Births, Death & Marriages also shown for 2021/22.   |
| Legal Implications                                    | It is a statutory requirement for the Council to set and approve a balanced, robust budget and Council Tax level.<br>Budget proposals take account of various legislative changes as they affect Council services.<br>Where appropriate and necessary some of the fees and charges have been the subject of consultation. |
| Equality/Diversity Implications                       | The Council has complied with the requirements of its Public Sector Equality Duty.<br>Where appropriate and necessary some of the fees and charges have been the subject of consultation.   |
| Sustainability Implications                           | None arising out of this report.  |

|  |   |
|--|---|
| Resource Implications e.g. Staffing / ICT / Assets | Human Resources – statutory processes have been complied with during the course of these budget proposals in respect of staffing implications where they apply. |
| Risk Management Implications                       | The risks associated with the budget proposal have been considered.   |
| Health and Wellbeing Implications                  | The Council has complied with the requirements of its Public Sector Equality Duty.  |
| Health and Safety Implications                     | The health and safety implications of the budget proposals have been considered.  |

**Other Options**

All options at an individual fee or charge basis would have been considered, where appropriate, during the budget process.

**Consultation**

Where appropriate and necessary some of the fees and charges have been the subject of consultation.

**Reasons for Recommendation**

To fulfill the obligations outlined in the Council Constitution for the budget process.

**Key Decision**

This is a key decision currently on the Forward Plan: Yes

**Finance Officer Clearance**      **GB**.....

**Legal Officer Clearance**      **DS**.....

**CORPORATE DIRECTOR'S SIGNATURE**



## INTRODUCTION

- 1.1 The detailed fees and charges booklet is available on the Council's web site alongside other agenda items. It represents a schedule of the main fees and charges which the Executive is proposing to charge for services in 2020/21 and included in the revenue budget proposals for 2020/21 to be presented to Council on 19 February 2020.
- 1.2 It should be noted that the booklet relates to fees and charges levied on the general public, businesses or service users. Trading income, such as that with Schools, is not covered within the fees and charges booklet as it is subject to individual contracts and negotiations. The Council also charges for certain services on a commercial basis, in competition with other providers, and these are excluded from the booklet for this reason (e.g. trade waste).

## 2. COUNCIL DISCRETION IN SETTING FEES & CHARGES

- 2.1 All fees and charges are subject to relevant legal constraints. Some fees and charges are required by law to be established and administered by the Council, others can be established at the Council's discretion. Once established, regulations then influence the extent or level of the fee or charge. Some fee or charge levels are set by regulation, others are limited by regulation, and some can be determined freely by the Council, though subject to other influencing factors such as competition.
- 2.2 The schedule of fees and charges indicates which fees are Mandatory (M) and which are Discretionary (D) for both the establishment of the charge (the first indicator) and then setting the level of the charge (the second indicator). For example, a fee that must be established and administered by the Council, but the level of fee or charge can be freely determined by the Council would be marked 'M / D'.

| How is it determined that a fee or charge can be levied? | Who or how is the rate of the fee or charge determined?  | Example of Fee or Charge                                | KEY           |
|--|--|---|---------------|
| Regulation   | Regulation – the rate of charge is fixed by regulation.  | Registrar Certificates<br>Gaming Permits                | <b>M / M</b>  |
| Regulation   | Regulation – the Council can choose between lower and/or upper limits.   | Casino applications<br>Entertainment Licences           | <b>M / D*</b> |
| The Council  | Regulation – the Council can only recover costs & reasonable overheads and/or between upper and lower limits or other limit. | Fixed Penalty Notices                                   | <b>D / D*</b> |
| Regulation   | The Council  | Environmental searches<br>Marriage & Civil Partnerships | <b>M / D</b>  |
| The Council  | The Council  | Library charges<br>Land charges & search fees           | <b>D / D</b>  |

2.3 The above table has been RAG shaded in terms of extent of Council discretion from red (top 1) where fees and charges are mostly determined by regulation, to green (bottom 2) where the Council has greater control on establishing and setting fee or charge levels. In the middle, or amber zone, Council's discretion is limited by regulatory rules, and for the fees or charges that are subject to such rules a code of 'D\*' is used in the booklet, usually with a statement that describes the relevant rule at the bottom of the page or table.

### 3. Summary of Fees and Charges movements

3.1 The booklet states the percentage increase for each fee or charge. The following table provides key statistics by the type of charge using the coding system outlined in section 2. It should be noted that an increase in the level of fee or charge may not generate the same increase in actual revenue as purchases or uses of the service may vary. Further, any average increase does not suggest the increase in total revenue as some charges may increase substantially in percentage terms but not in monetary, and that some charges are levied more often than others.

| Discretion Code | No. of Charges (No.) | As a % of the Total (%) | Charges yet TBA (No.) | % of Charges that have changed (%) | Average increase # (%) |
|-----------------|----------------------|-------------------------|-----------------------|------------------------------------|------------------------|
| M / M           | 65                   | 8%                      | 0                     | 25%                                | 2%                     |
| M / D*          | 80                   | 10%                     | 0                     | 0%                                 | 0%                     |
| D / D*          | 11                   | 1%                      | 0                     | 18%                                | 63%                    |
| M / D           | 140                  | 17%                     | 0                     | 64%                                | 2%                     |
| D / D           | 534                  | 64%                     | 0                     | 53%                                | 5%                     |
| <b>Total</b>    | <b>830</b>           | <b>100%</b>             | <b>0</b>              | <b>47%</b>                         | <b>5%</b>              |

# Note : This does not represent a 5% increase in income as the averages are calculated as a simple average increase on the unit charges and are not weighted by the level of income generated by each charge.

3.2 Approximately 25% of mandatory fees have changed by an average of 2%. Where the Council has discretion to increase the charge level, all such charges have been reviewed as part of the budget process and consequentially there is much greater movement in those fees and charges. Where the Council has discretion to charge up to a maximum amount set by legislation, many of the current fees are already close to the statutory limit.

3.3 The key highlights with regard to specific charges are:

**Place:** has the majority of the Council's fees and charges. The main changes within this service are:

- Licensing – Export Health Certificate (fishery products) is a new type of certification that will be required post EU exit;
- Licensing – Taxi Driver Knowledge Test and Re-sit fees introduced on 1 September 2019, as approved by Council in February 2019;

- Environmental Enforcement – Fixed penalty for offence of failing to remove dog faeces has been increased significantly to act as a further deterrent;
  - Environmental Enforcement – Fixed penalty for offence of leaving litter has also been increased to act as a deterrent.
- 3.4 The schedule of fees and charges has been reviewed by management, and amendments made to include those fees and charges which should be brought to the attention of Council at the time of setting the budget, or exclude those that are superfluous or negotiated on a commercial basis.

#### **4. Recommendations**

- 4.1 That the Executive recommends to Council that it approves the following;
- The Fees and Charges for 2020/21 and those relating to Registration of Births, Death & Marriages also shown for 2021/22, as set out in the booklet available on the Council's web site, be approved;
  - That approval is delegated jointly to each Corporate Director with the Corporate Director of Finance and Systems to amend fees and charges during 2020/21 in the event of any change in the rate of VAT, as appropriate;
  - That approval be delegated jointly to each Corporate Director with the Corporate Director of Finance and Systems to amend fees and charges during 2020/21 under delegated powers where the economics of the charge levels have changed (e.g. costs have risen unexpectedly), or for commercial reasons.