

TRAFFORD COUNCIL

Report to: Executive

Date: 19 September 2016

Report for: Discussion

Report of: The Executive Member for Finance and the Chief Finance Officer

Report Title:

Budget Monitoring 2016/17 – Period 4 (April to July 2016).

Summary:

The purpose of this report is to inform Members of the current 2016/17 forecast outturn figures relating to both Revenue and Capital budgets. It also summarises the latest forecast position for Council Tax and Business Rates within the Collection Fund.

Recommendation(s)

It is recommended that:

- a) the Executive note the report and the changes to the Capital Programme as detailed in Paragraph 17.

Contact person for access to background papers and further information:

David Muggeridge, Finance Manager, Financial Accounting Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Revenue and Capital expenditure to be contained within available resources in 2016/17.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Other Options

Not Applicable

Consultation

Not Applicable

Reasons for Recommendation

Not Applicable

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

Legal Officer Clearance JL.....

CORPORATE DIRECTOR'S SIGNATURE:



REVENUE BUDGET

Budget Monitoring - Financial Results

1. The approved budget agreed at the 17 February 2016 Council meeting is £147.32m. In determining the budget an overall gap of £22.64m was addressed by a combination of additional resources of £6.26m, including projected growth in business rates, council tax and use of general reserve and £16.38m of service savings and additional income.
2. Based on the budget monitoring for the first four months overall expenditure is broadly in line with budget apart from a small underspend of £159k.
3. The summary details of service variances against budget are shown in Table 1 and Table 2 below.

Table 1: Budget Monitoring results by Service	2016/17 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	29,911	31,599	1,688	5.6%
Adult Services	47,225	46,959	(266)	(0.6)%
Public Health	(573)	(466)	107	18.7%
Economic Growth, Environment & Infrastructure	32,198	32,049	(149)	(0.5)%
Transformation & Resources	16,938	16,280	(658)	(3.9)%
Total Service Budgets	125,699	126,421	722	0.6%
Council-wide budgets	21,620	20,739	(881)	(4.1)%
Forecast outturn (period 4)	147,319	147,160	(159)	(0.1)%
Dedicated Schools Grant	120,667	121,756	1,089	0.9%

Main variances, changes to budget assumptions and key risks

4. Historically service variances at year end have been moved into service earmarked reserves and the current balances on those are detailed in Paragraph 11. A number of commitments already exist on those reserves largely to support transformational projects which limit the ability to absorb the full extent of the in-year pressures, particularly in CFW. It is proposed that where any in-year overspend cannot be funded from that particular service reserve then it will be met from the in-year underspend of the other directorates.
5. The main variances contributing to the projected underspend of £159k, any changes to budget assumptions and associated key risks are highlighted below:

Table 2: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services (*)	1,688	The variance in the children in care placements budget in part relates to the following factors:

- The Placements Budget continues to be a demand led budget and the continued incremental increase in the number of children in care translates directly to an increase in demand for placements. In August 2015 there were 324 children in care, this figure has increased annually and incrementally, with 331 children at 31st March 2016 and there are now 354 children in care.
- The complexity of the presenting needs of children, who enter care, has translated into a demand for placements that require high levels of supervision and longer placement periods. In particular there are currently 3 children who are placed in high cost secure children's homes and safeguarding complexities have led to longer than predicted periods in these placements. The collective costs of these placements are £375k.

The above has resulted in an increase in the number of placements in external homes (2.40 whole time equivalents), agency foster care (8.83 whole time equivalents) and secure homes (0.28 whole time equivalents). This is expected to cost £1.11m.

The following actions have been taken to mitigate the continued increase in the placement budget.

Trafford continues to be a successful recruiter of foster carers who provide value for money placements at much lower cost than that charged by external placement providers; thus, despite the increase in the numbers of children in care, only 10% of all LAC have been placed with independent fostering agencies.

In 2016 Trafford, in collaboration with other northwest councils, will launch the "You Can Foster" campaign. It is predicted that this 6 months marketing campaign will increase internal fostering capacity by 5 to 8 foster carers for older children and children with complex needs. These children typically require higher cost external provision.

A weekly 'Keeping families together' panel chaired by the Director of Safeguarding monitors any new requests for external placements and successfully diverts demand to lower cost placements.

- Monthly monitoring meetings chaired by the Director of Safeguarding monitor every placement ensuring that predicted end dates are on target and considers options for cost reduction strategies for each placement.

		<ul style="list-style-type: none"> • The task of commissioning placements was transferred to the Commissioning Team and through improved commissioning practices they aim to reduce unit costs of placements and review high cost placements looking for alternative, cost effective placement solutions, in collaboration with social workers, to ensure placements offer the right levels of support. The volume of referrals has been such that their capacity to address the value for money aspect has been limited, therefore additional commissioning capacity will be recruited on a short term to approach providers around cost and agreements. • Commissioners in partnership with social care practitioners continue to develop an 'Edge of Care Strategy'. This strategy through a re-alignment of money will focus on the development of an integrated preventative strategy which will reduce demand on placements by supporting more children to remain at home in the care of their parents. • All in house placement resources continue to be used to full capacity and both of Trafford's children's homes are, in the main, at full occupancy level. <p>Whilst all management action will be taken to address the forecast overspend, given the additional number of children in care already at month 4, it is extremely unlikely that the budget will be brought back to balance by year end.</p>
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Adult Services / Public Health (*)	(159)	<p>Mainly as a result of an overachievement of savings offset by an underlying increase in adult care costs.</p> <p>The original savings programme for CFW was developed with an overall target of £9.799m. Even at this relatively early stage of the year, it is clear that some projects cannot deliver against their original targets (social care transport and public health(*)), but that the savings derived from the continuation of the Stabilise and Make Safe project should offset those shortfalls.</p> <p>In contrast the latest indications are that the levels of care required, number of new entrants, and the reduced contribution paid by individuals towards their care in the Adult care system are exceeding budgeted expectation and the level of demographic funding that was allocated for 2016/17. The cost of the above to the care system is being carefully monitored during the year.</p> <p>(*) At the end of 2015/16 there was additional expenditure on public health of £153k. Due to the recovery of this in 2016/17 the in-year savings target of £800k has not been fully met with a shortfall of £107k.</p>
Economic Growth, Environment & Infrastructure	(149)	<p>The projected underspend includes additional income from Oakfield Road car park remaining open for the early part of the financial year £114k; increased income from planning above expectations £121k; an underspend on staffing of £166k after taking account of agency costs (there are currently 22 vacancies in the Directorate in the process of being filled). These are offset by a shortfall in building control income £108k and other reductions in income and increased running costs of £144k.</p>
Transformation & Resources	(658)	<p>Includes £422k from staff vacancies after taking account of agency costs. There are currently 38 vacancies in the Directorate in the process of being filled which equates to 2% of the total staffing budget (This is lower than the levels experienced in 2015/16, which were in excess of 6%, and reflects the ongoing efforts to fill outstanding vacant posts); £110k from cost control of running expenses; £210k from higher levels of income, which includes government grant related budgets in Exchequer Services; other minor variances £(84)k.</p>

Council-wide budgets	(881)	<p>The projected variance relates to success in recovering previous year housing benefit overpayments of £500k which if continued could see a further additional income as the year progresses; a projected saving of £499k in the levy payable on business rate growth which is forecast to be lower than anticipated due to unexpected business rate appeals (See Paragraph 15); additional costs on treasury management of £150k as a result of reduced interest rates following the announcement of the Monetary Policy Committee in August and delayed savings in respect of an up-front investment in the pension fund.</p> <p>In addition windfall income of £375k is receivable in respect of a historic insurance settlement in favour of the Council which has been transferred to the Budget Support Reserve to support future year's budgets.</p> <p>During 2015/16 an interim dividend of £1.25m was received from Manchester Airport Group (MAG) which was subsequently moved to an earmarked reserve to support the 2016/17 budget. The MAG has recently announced the final annual dividend for 2015/16 of £2.49m which allows a surplus over budget of £1.14m to be retained in the MAG earmarked reserve. This will be supplemented if a further interim dividend is received in 2016/17.</p>
Dedicated Schools Grant	1,089	<p>This is mainly attributed to the increase in costs within the high needs block of the DSG. The demand for high cost special school places, both within the borough and out of borough, has exceeded the level of grant allocation in recent years. Since period two, expenditure has been incurred on additional top-up payments for increasing numbers of statemented pupils at mainstream schools, additional out of borough placements and increased top-up payments at special schools. This projected overspend exceeds the level of available DSG reserve by £302k and whilst all attempts will be made to control expenditure for the remaining part of the year any deficit will need to be recovered from future years DSG allocations which could impact on the level of school funding in 2017/18.</p>

Locality Plan (*)

6. A key element of the Health and Social Care devolution agenda is the submission of a Locality Plan setting out the Council and CCG vision for the greatest and fastest possible improvement in the health and wellbeing of our residents by 2020. This improvement will be achieved by supporting people to be more in control of their lives by having a health and social care system that is geared towards wellbeing and the prevention of ill health; access to health

services at home and in the community; and social care that works with health and voluntary services to support people to look after themselves and each other.

7. Work is ongoing on the locality plan and it is anticipated that further work will be required in the coming months to understand how any budget gaps will be addressed. Financial performance against the locality plan is highlighted below (note budgeted figures are shown gross and inclusive of specific grants).

Table 3: Locality Plan Update	2016/17 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Public Health	13,334	13,441	107	0.8%
Adult Social Care	52,874	52,608	(266)	(0.5)%
Children and Families	29,911	31,599	1,688	5.6%
Total	96,119	97,648	1,529	1.6%

MTFP Savings and increased income

8. The 2016/17 budget is based on the achievement of permanent base budget savings and increased income of £16.38m and full details are included in the latest Transformation Programme Board Report dated 9 August 2016.
9. The latest forecast indicates that total savings of £16.78m have been or are projected to be delivered by 31 March 2017. This represents an overachievement against target of £405k. The current risk rating of the overall programme is summarised as follows:

Table 4: Savings Programme Risk Rating	(£000's)
Low risk – achieved or low likelihood of not achieving	8,865
Medium risk – projected to be achieved by the end of the year	5,771
High risk – remedial action to be taken to achieve required level of savings (*)	1,740
Total	16,376

(*) A number of projects in the original savings programme which are classified as high risk above have been re-scoped following consultation, for example the social care transport services and alternative savings measures have been identified. Further details are provided in the latest Board report.

RESERVES

10. The pre-audited General Reserve balance brought forward is £7.89m, against which there are planned commitments up to the end of 2016/17 of £1.89m leaving the balance at £6m which is the approved minimum level.

Table 5 : General Reserve Movements	(£000's)
Balance 31 March 2016 (subject to audit confirmation)	(7,894)
Commitments in 2016/17:	
- Planned use for 2016/17 Budget	1,850
- Planned use for one-off projects 2016/17	44
Balance 31 March 2017	(6,000)

11. Service balances brought forward from 2015/16 were a net £5.95m and are largely allocated to support transformation projects in 2016/17 and later years, however before making firm commitments to utilise these resources consideration will be given to the overall projected outturn position in each directorate.

	b/f April 2016 (£000's)
Table 6: Service balances	
Children, Families & Wellbeing	(1,837)
Economic Growth, Environment & Infrastructure	(1,740)
Transformation & Resources	(2,372)
Total (Surplus)/Deficit	(5,949)

COLLECTION FUND

Council Tax

12. The 2016/17 surplus on the Council Tax element of the Collection Fund is shared between the Council (84%), the Police & Crime Commissioner for GM (12%) and GM Fire & Rescue Authority (4%).
13. The surplus brought forward of £1.84m, will be increased by an in-year forecast surplus of £0.64m. After taking account of the planned use of £0.357m to support the base budget and another £66k for backdated valuation and discount appeals, the total surplus forecasted to be carried forward is £2.06m. The Council's share of this surplus is £1.72m, and is planned to support future budgets in the MTFP.
14. Council Tax collection rate as at 31 July 2016 was 39.99%, which is above the targeted collection rate of 39.97%.

Business Rates

15. The 2016/17 budget included anticipated growth in retained business rates and related S31 grants of £4.51m. Latest forecasts of business rate income indicate a potential one-off shortfall in retained business rate income of £1.38m caused by an unexpected increase in the level of appeals. Whilst this has a benefit in that it reduces the overall levy payable on growth (See comments on the Council-wide budget in Table 2) it means there will be a deficit on the collection

fund. This position will be monitored during the remainder of the year but if the deficit position remains then it will need to be financed and therefore it is proposed to earmark reserves to cover this, including the MAG earmarked reserve.

16. Business Rates collection rate as at 31 July 2016 was 37.54% compared to a targeted collection rate of 38.24%.

CAPITAL PROGRAMME

17. The value of the indicative 2016/17 Capital Programme reported in the P2 monitor report was £47.40m. Taking into account re-phasing to 2017/18 and later years, reductions in projected costs and new external contributions the budget is currently estimated at £45.30m. The changes to the budget are detailed below and are summarised as follows :

Table 7 - Capital Investment Programme 2016/17	P2 Programme (£'000's)	Changes (£'000's)	Current Programme (£'000's)
Service Analysis:			
Children, Families & Wellbeing	15,198	(1,590)	13,608
Economic Growth, Environment & Infrastructure	28,955	(551)	28,404
Transformation & Resources	3,287	-	3,287
Total Programme	47,440	(2,141)	45,299

➤ **Rephasing to 2016/17 and 2017/18 - £(1.59)m**

- Basic Need – School Places: The Education and Early Years Capital Programme report, approved by the Executive in June, set the investment proposals for the next three years and provided a phasing of major school projects across the years. An element of expenditure has been re-profiled to 2017/18 and 2018/19.

➤ **Relocation of depot facilities – £(685)k**

- The business case for the acquisition and development of a new depot has recently been approved. The gross capital cost is £5.00m and represents a reduction of £1.10m on the previous estimated cost, of which £685k was phased in 2016/17.

➤ **New schemes and increases to existing budgets - £134k**

- Parks Infrastructure Programme: £29k – S.106 contributions have been identified which supplement works already planned at Stamford Park and John Leigh Park in Altrincham.
- Play Area Refurbishments: £105k - S.106 contributions have been identified which will be applied to a number of projects to supplement the £250k investment previously approved.

18. Resourcing of the capital investment programme is made up of both internal and external funding. Details of this are shown in the table below.

Table 8 - Capital Investment Resources 2016/17	P2 Programme (£'000's)	Changes (£'000's)	Current Programme (£'000's)
External:			
Grants	18,776	(1,240)	17,536
Contributions	7,803	134	7,937
Sub-total	26,579	(1,106)	25,473
Internal:			
Receipts	7,721	(350)	7,371
Borrowing	12,693	(685)	12,008
Reserves & revenue	447	-	447
Sub-total	20,861	(1,035)	19,826
Total Resourcing	47,440	(2,141)	45,299

Status and progress of projects

19. Since the budget was set in February 2016 reports detailing planned projects covering schools, highways, greenspace and corporate landlord to be undertaken during the year have all been agreed. These plans provide the basis on which the Capital Programme is monitored for both financial and physical progress.
20. As part of the monitoring process a record of the “milestones” reached by each project is kept to show the progress of the scheme from inclusion in the Programme through to completion. The table below shows the value of the programme across the milestone categories.

Table 9 - Status on 2016/17 Projects	Current Budget (£m)	Percentage of Budget
Already complete	3.68	8%
On site	24.94	55%
Programmed to start later in year	14.99	33%
Not yet programmed	1.69	4%
Total	45.30	100%

21. The first three categories give a good indication as to the level of confirmed expenditure to be incurred during the year. As can be seen £43.61m (96%) of the budget has now been spent, committed or is programmed to start in the year.
22. Schemes with a value of £1.69m are classed as “Not yet programmed” and relates to budgets where specific projects have not yet been agreed or budgets

that have yet to have a start date planned. Priority will be placed on progressing schemes as soon as possible. Majors areas Included in this category are:

- **Social Care Investment - £650k.** As a result of a change in government grant funding £650k of council resource previously applied to DFGs has been re-directed to offset a loss in adult social care grant. A scheme for the refurbishment of Ascot House and a programme of technological innovations are currently being assessed.
- **Social Care Agile Working Programme - £284k.** The Agile Working requirements have been captured for staff in the scope for Phase 1 of the project. This will inform the ICT specification and costs for the full options appraisal, which will be completed in September 2016.
- **Play Area Improvements - £355k.** A number of schemes have been approved for delivery later in the year.
- **ICT projects - £286k.** A number of projects currently remain on hold until the full effect of the reshaping agenda and its impact on the Council's ICT infrastructure requirements is known.

23. The table below provides a more detailed analysis by service area.

Table 10 - Status by Service Area	Already complete	On Site	Programmed	Not yet Programmed
Children, Families & Wellbeing	22%	57%	14%	7%
Economic Growth, Environment & Infrastructure	2%	50%	46%	2%
Transformation & Resources	0%	91%	0%	9%

Issues / Risks

24. The main risk in the area of the capital programme is the timely delivery of the programme and this situation will continue to be closely monitored and any issues will be reported as and when they arise.

Recommendations

25. That the Executive note the report and the changes to the Capital Programme as detailed in Paragraph 17.