

## TRAFFORD COUNCIL

**Report to: Executive**

**Date: 23 January 2017**

**Report for: Discussion**

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

### **Report Title:**

Budget Monitoring 2016/17 – Period 8 (April to November 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 19.

### **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** .....NB.....

**Legal Officer Clearance** .....MJ.....

**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 eight months, the year end forecast is showing an underspend figure of £670k.
3. The summary details of service variances against budget are shown in Table 1 and Table 2 below.

<b>Table 1: Budget Monitoring results by Service</b>	<b>2016/17 Budget (£000's)</b>	<b>Forecast Outturn (£000's)</b>	<b>Forecast Variance (£000's)</b>	<b>Percentage</b>
Children's Services	29,484	31,873	2,389	8.1%
Adult Services (Inc. Public Health)	46,929	47,309	380	0.8%
Economic Growth, Environment & Infrastructure	32,225	31,831	(394)	(1.2)%
Transformation & Resources	17,067	16,170	(897)	(5.3)%
<b>Total Service Budgets</b>	<b>125,705</b>	<b>127,183</b>	<b>1,478</b>	<b>1.2%</b>
Council-wide budgets	21,615	19,467	(2,148)	(9.9)%
<b>Forecast outturn (period 8)</b>	<b>147,320</b>	<b>146,650</b>	<b>(670)</b>	<b>(0.5)%</b>
<b>Dedicated Schools Grant</b>	<b>119,410</b>	<b>119,902</b>	<b>492</b>	<b>0.4%</b>
<b>Public Health</b>	<b>13,334</b>	<b>13,347</b>	<b>13</b>	<b>0.1%</b>

### 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 12. A number of firm 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 significant demand led pressures being placed on the Children's Service placement budget are being addressed in the current year predominantly through the use of one off savings within Council-wide budgets and brought forward service earmarked reserves. However, the recurrent nature of the pressures is likely to continue into 2017/18 and the implications of this are being considered as part of the budget process for 2017/18.
6. The main variances contributing to the projected underspend of £670k, 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	2,389	<p>The variance in the children in care placements budget in part relates to the following factors:</p> <ul style="list-style-type: none"> <li>• 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 at the end of November there were 370 children in care (356 at the end of September 2016).</li> <li>• 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. The collective costs of these placements are £516k.</li> </ul> <p>The above has resulted in an increase in the number of placements in external homes (8 whole time equivalents), agency foster care (11.34 whole time equivalents) and secure homes (0.71 whole time equivalents). This is expected to cost £2.1m.</p> <p>The Placement budget also accommodates the social care cost of placements made out of borough for CYP with an Education, Health and Care (EHC) plan. The number and cost of these placements has increased since the EHC reforms came in to place.</p> <p>Extension of leaving care duties and the introduction of Staying Put placements has also led to an increase in Placement costs.</p> <p>The authority has 6 Unaccompanied Asylum Seeking young people currently looked after, with limited additional funding.</p> <p>Action has been taken to mitigate against the continued increase in the placement budget, including:</p> <ul style="list-style-type: none"> <li>• a further foster care recruitment campaign, "You Can Foster" which will run for 6 months. Trafford has been a very successful recruiter of foster carers thus, despite the increase in the numbers of children in care, only 10% of all LAC have been placed with independent fostering agencies. It is predicted that this 6 months marketing campaign will increase internal fostering</li> </ul>

		<p>capacity by 5 to 8 foster carers for older children and children with complex needs.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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 – to date this has realised savings of £29k.</li> <li>• 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.</li> </ul> <p>Whilst all management action will be taken to address the forecast overspend, given the additional number of children in care already at month 8, the budget will not be brought back to balance by year end.</p>
Adult Services / Public Health	380	This forecast overspend is mainly as a result of a combination of higher levels of care being needed and the number of new entrants being higher than was anticipated for the year. This situation has been exacerbated by the Greater Manchester initiative which is currently underway to reduce the number of delayed discharges from hospital.
Economic Growth, Environment & Infrastructure	(394)	The projected underspend, which has increased by £115k since the last report, includes income from Oakfield Road car park remaining open until the start of the Altair development in January 2017 £171k; increased income from planning above expectations £136k; an underspend on staffing of £295k after taking account of agency costs and additional income from backdated rents on investment properties £78k. These are offset by a shortfall in building control income £87k, an increase in the waste disposal levy of £48k based on latest figures from GMWDA and other reductions in income and increased running costs of £151k.
Transformation & Resources	(897)	The projected underspend, which has increased by £197k since the last report includes: £735k underspend from staff vacancies after taking account of agency costs, which is a £173k increase since P6. This equates to 3.6% of the total staffing budget and 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; £52k underspend from cost control of running expenses (a fall of £27k since the last

		report); £146k from higher levels of income (an increase of £51k since the last report), and includes government grant related budgets in Exchequer Services; other minor adverse variances £36k.
Council-wide budgets	(2,148)	<p>The 2016/17 Interim Dividend from Manchester Airport Group (MAG) of £1.52m was received in December 2016 bringing the total received in year to £4.01m, which is £1.41m above budget. However, the underspend of £1.41m will be transferred to the MAG earmarked reserve and is therefore not included in the projected outturn figure. It is proposed to use £1.38m of this to support the deficit on business rates as previously reported (see paragraph 17 below).</p> <p>A further favourable movement of £358k over the previous period relating to the housing benefit budget, resulting in a year end projected outturn of £1.16m below budget. The projected variance relates to the continued success in the recovery of previous years' housing benefit overpayments, coupled together with a higher in-year percentage of subsidy being reclaimed from the Government. The latter, relates to a lower in-year overpayment error rate being identified. Previous years' overpayment recovery is one off in nature and should reduce as recovery tapers off.</p> <p>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 17).</p> <p>A review of our balance sheet, usually undertaken at year end, was completed early and a one-off amount of £190k has been identified which has been released, relating to historic balances for goods received but not invoiced. Also a number of Council-wide contingencies and provisions relating to pensions auto-enrolment, transformation savings not being achieved and doubtful debts have been reviewed and it is considered appropriate at this stage of the year to release 50% of these totaling £448k.</p> <p>An estimated £57k under budget is expected to be achieved, relating to overpayment recovery of previous year's Council Tax Benefit; this is a small improvement of £8k from Period 6.</p> <p>A number of final grant notifications have been received giving a projected overspend of £38k.</p> <p>Additional costs on treasury management of £166k in respect of an up-front investment in the pension fund, now expected to be made in April 2017.</p>

Dedicated Schools Grant	492	<p>The projected overspend, which has reduced by £675k since the last report, continues to relate mainly to pressure within the High Needs Block, albeit this has reduced significantly following an in-year review of all High Needs expenditure.</p> <p>The £675k favourable movement includes savings in:</p> <ul style="list-style-type: none"> <li>• SEN and Special School placements both within the borough and out of borough £541k;</li> <li>• Additional savings identified within the High Needs and Early Years blocks £134k.</li> </ul> <p>The level of DSG reserve is now projected to be £295k at year end.</p>
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### Progress against Locality Plan

7. 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.
8. 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).

<b>Table 3: Locality Plan Update</b>	<b>2016/17 Budget (£000's)</b>	<b>Forecast Outturn (£000's)</b>	<b>Forecast Variance (£000's)</b>	<b>Percentage</b>
Public Health	13,334	13,347	13	0.1%
Adult Social Care	52,874	53,241	367	0.7%
Children and Families	29,911	32,300	2,389	8.0%
<b>Total</b>	<b>96,119</b>	<b>98,888</b>	<b>2,769</b>	<b>2.9%</b>

### MTFP Savings and increased income

9. The 2016/17 budget was based on the achievement of permanent base budget savings and increased income of £16.38m. At Executive in March 2016 there was a decision to amend the policy on social care transport impacting on the overall savings programme. The savings target was subsequently reduced to £16.10m, with the adverse impact of this change being included in the overall

CFW monitoring position. Full details are included in the latest Transformation Programme Board Report.

10. The latest forecast indicates that total savings of £15.93m have been or are projected to be delivered by 31 March 2017. This represents an underachievement against target of £167k, which relates mainly to the Corporate (treasury) savings targets, and is included in the overall projections in Table 1 above.

## RESERVES

11. The 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.

<b>Table 4 : General Reserve Movements</b>	<b>(£000's)</b>
<b>Balance 31 March 2016</b>	<b>(7,894)</b>
<b>Commitments in 2016/17:</b>	
- Planned use for 2016/17 Budget	1,850
- Planned use for one-off projects 2016/17	44
<b>Balance 31 March 2017</b>	<b>(6,000)</b>

12. 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. A detailed review has been completed and identified £5.70m of firm commitments against the brought forward figure.

	<b>b/f April 2016 (£000's)</b>	<b>Firm Commitments (£000's)</b>	<b>Est Balance (£000's)</b>
<b>Table 5: Service balances</b>			
Children, Families & Wellbeing	(1,837)	1,590	(247)
Economic Growth, Environment & Infrastructure	(1,740)	1,740	0
Transformation & Resources	(2,372)	2,372	0
<b>Total (Surplus)/Deficit</b>	<b>(5,949)</b>	<b>5,702</b>	<b>(247)</b>

13. It is proposed that no further commitments are made against the CFW service reserve given the current projected outturn position within CFW. A further review of all service commitments will be undertaken before year end.

## **COLLECTION FUND**

### **Council Tax**

14. 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%).
15. As at November 2016 the end of year surplus balance is forecasted to be £2.07m. The Council's share of this is £1.73m, and is planned to support future budgets in the MTFP. This is no change on that previously reported.
16. Council Tax collection rate as at 30 November 2016 was 77.57%, which is above the targeted collection rate of 77.34%.

### **Business Rates**

17. 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 (see Table 2 above).
18. Business Rates collection rate as at 30 November 2016 was 72.67% compared to a targeted collection rate of 73.86%. This shortfall is mainly due to ongoing legal cases. It is known that the final court hearings will not take place until later in 2017 and therefore it is likely that the collection rate will remain below the target during the rest of this financial year.

## CAPITAL PROGRAMME

19. The value of the indicative 2016/17 Capital Programme reported in the P6 monitor report was £42.55m. Taking into account re-phasing and new external contributions the budget is currently estimated at £42.42m. The changes to the budget are detailed below and are summarised as follows:

<b>Table 6 - Capital Investment Programme 2016/17</b>	<b>P6 Programme (£'000's)</b>	<b>Changes (£'000's)</b>	<b>Current Programme (£'000's)</b>
<b>Service Analysis:</b>			
Children, Families & Wellbeing	13,283	(448)	12,835
Economic Growth, Environment & Infrastructure	25,975	428	26,403
Transformation & Resources	3,287	(103)	3,184
<b>Total Programme</b>	<b>42,545</b>	<b>(123)</b>	<b>42,422</b>

- **Virement - £400k from CFW to EGEI**
  - An investment opportunity has arisen to purchase a property at the Claremont Centre, Sale at an estimated cost of £400k. The costs of this can be contained within the Capital Programme through a virement from the Social Care Investment budget (scheme Ref 2582 - this budget has been previously reported as uncommitted. Any requirements for future investment in this area will be included in forthcoming budget reports).
- **Rephasing to 2016/17 and 2017/18 - £(90)k**
  - Adult Social Care Grant: £30k. - The budget for work to a client's home was originally phased to 2017/18, work has now been completed and the budget accelerated accordingly;
  - Integrated Transport Works: £(32)k – Due to ongoing design and consultation a small number of schemes are now not expected to complete until 2017/18;
  - CRM Upgrade: £(88)k - The expected completion date is now August 2017. As a result £88k of the budget has been re-profiled to 2017/18.
- **Changes to existing budgets - £(33)k**
  - Schools – Additional Places: £(60)k. A reduced school contribution for the scheme at Brentwood School replaced by an allocation of Devolved Formula Capital;
  - Altrincham Crematorium – Office refurbishments : £21k. Further works are required to bring the public areas of the office to an acceptable standard. The additional costs can be financed from a contribution from the accumulated income within the crematorium revenue budget;

- Play Area Refurbishments - Pickering Lodge : £6k – Additional costs have been covered by the application of a S.106 contribution.

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

<b>Table 7 - Capital Investment Resources 2016/17</b>	<b>P6 Programme (£'000's)</b>	<b>Changes (£'000's)</b>	<b>Current Programme (£'000's)</b>
<b>External:</b>			
Grants	15,504	(58)	15,446
Contributions	7,947	(86)	7,861
<b>Sub-total</b>	<b>23,451</b>	<b>(144)</b>	<b>23,307</b>
<b>Internal:</b>			
Receipts	7,624	-	7,624
Borrowing	11,008	-	11,008
Reserves & revenue	462	21	483
<b>Sub-total</b>	<b>19,094</b>	<b>21</b>	<b>19,115</b>
<b>Total Resourcing</b>	<b>42,545</b>	<b>(123)</b>	<b>42,422</b>

### Status and progress of projects

21. 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 been agreed. These plans provide the basis on which the Capital Programme is monitored for both financial and physical progress.
22. 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.

<b>Table 8 - Status on 2016/17 Projects</b>	<b>Current Budget (£m)</b>	<b>Percentage of Budget</b>
Already complete	9.0	21%
Underway	24.5	58%
Programmed to start later in year	8.2	19%
Not yet programmed	0.7	2%
<b>Total</b>	<b>42.4</b>	<b>100%</b>

23. 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 £41.71m (98%) of the budget has now been spent, committed or is programmed to start in the year.

24. Schemes with a value of £717k 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. Major areas Included in this category are:

- **Leisure Services Assets: Improvement Programme - £451k.** This budget will be committed in line with the priorities in the Leisure Strategy.
- **ICT projects - £266k.** 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.

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

<b>Table 9 - Status by Service Area</b>	<b>Already complete</b>	<b>Under-way</b>	<b>Programmed</b>	<b>Not yet Programmed</b>
Children, Families & Wellbeing	56%	38%	6%	0%
Economic Growth, Environment & Infrastructure	6%	85%	7%	2%
Transformation & Resources	6%	78%	8%	8%

### Summary

26. The monitoring undertaken during the period has resulted in projected outturn expenditure of £42.42m. Whilst there is a total £41.71m of schemes for which there are known milestone dates there may be issues arising which could affect delivery between now and year-end. Also there are projects where delivery is outside of the council’s control (e.g. Metrolink extension: £5m – The Traffic Works Act Order has now been approved and first payments are anticipated to be made to TfGM this financial year). All schemes will continue to be monitored and any change in expected delivery will be included in future reports.

### Issues / Risks

27. 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

28. That the Executive note the report and the changes to the Capital Programme as detailed in paragraph 19.