

## TRAFFORD COUNCIL

**Report to:** Executive

**Date:** 27 March 2017

**Report for:** Discussion

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

### **Report Title:**

Budget Monitoring 2016/17 – Period 10 (April 2016 to January 2017).

### **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 22.

### **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** .....JLF.....

**CORPORATE DIRECTOR'S SIGNATURE:**



## REVENUE BUDGET

### Budget Monitoring - Financial Results

1. The approved budget agreed at the 17 February 2016 Council meeting was £147.32m. In determining the original 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. As described in section 2 of the 2017/18 Budget Report, Trafford will be part of the 100% business rates retention GM pilot from April 2017. In preparation it has been necessary to re-align some business rates related budgets (i.e. section 31 grants and GM Pool Levy/Rebates) totalling £623k from the Council-wide budget classification to the Funding classification in 2016/17. Although this is only presentational it does result in both the net budget and funding reducing for 2016/17 to £146.70m.
3. As a result of this presentational change it is now appropriate to report both service expenditure performance and variations to funding levels. This reporting change is designed to make funding changes more transparent which will be particularly important in 2017/18 under 100% business rates retention.

### Service Expenditure Summary Position

4. Based on the budget monitoring for the first ten months, the year end forecast is showing an underspend figure of £141k compared to a £670k underspend reported at period 8. This underspend will be transferred to the budget support reserve at year end. The adverse movement of £529k is made up of a number of movements since period 8 and is explained below:-

#### **a reduced overspend on service budgets of £456k**

- reduction in projected overspend in children's services £344k;
- increased overspend in adult social care services £136k;
- reduced saving in EGEI £38k;
- increased saving in T&R £286k

#### **an adverse movement on Council-wide budgets £985k explained by:-**

- business rate levy saving now shown under funding £499k;
- further release of contingency budgets £224k;
- additional housing benefit overpayment recovery and other savings £111k;
- contribution to an earmarked reserve to provide for an in year increase in both the level and cost of business rate appeals £821k.

### Funding Summary Position

5. There is a projected reduction in overall funding to support the budget mainly attributed to an increase in the level and cost of business rate appeals. This one-off shortfall, which has been caused by the need to increase the appeals provision, of £2.23m can be financed in year from the remaining balance on the

MAG earmarked reserve of £1.41m (as previously planned and reported) and the further contribution to reserves of £821k as detailed in paragraph 4 above.

6. Detailed below in Table 1 is a summary breakdown of the service and funding variances against budget, with Table 2 providing an explanation of the variances.

<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	29,836	31,881	2,045	6.9%
Adult Services (Inc. Public Health)	46,899	47,415	516	1.1%
Economic Growth, Environment & Infrastructure	31,941	31,585	(356)	(1.1)%
Transformation & Resources	17,034	15,851	(1,183)	(6.9)%
<b>Total Service Budgets</b>	<b>125,710</b>	<b>126,732</b>	<b>1,022</b>	<b>0.8%</b>
Council-wide budgets	20,987	19,824	(1,163)	(5.5)%
<b>Forecast outturn (period 10)</b>	<b>146,697</b>	<b>146,556</b>	<b>(141)</b>	<b>(0.1)%</b>
<b>Funding</b>				
Revenue Support Grant	(22,989)	(22,989)	-	-
Business Rates (see para. 20)	(38,311)	(36,081)	2,230	5.8%
Council Tax (see para. 17)	(83,247)	(83,432)	(185)	(0.2)%
Reserves	(1,850)	(1,850)	-	-
Collection Fund surplus	(300)	(300)	-	-
<b>Forecast outturn (period 10)</b>	<b>(146,697)</b>	<b>(144,652)</b>	<b>2,045</b>	<b>1.4%</b>
<b>Dedicated Schools Grant</b>	<b>119,410</b>	<b>119,693</b>	<b>283</b>	<b>0.2%</b>
<b>Public Health</b>	<b>13,334</b>	<b>13,377</b>	<b>43</b>	<b>0.3%</b>

### Main variances, changes to budget assumptions and key risks

7. Historically service variances at year end have been moved into service earmarked reserves and the current balances on those are detailed in paragraph 15. 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.
8. 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 have been considered as part of the budget process for 2017/18.

9. The main variances contributing to the projected underspend of £141k, 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	2,045	<p>The main reasons for the adverse variance have been reported in previous monitors and mainly include pressure on the placements budget for children in care with 387 children currently in care, an increase of 17 since the last monitoring report.</p> <p>The overall variance shows a favourable movement from that previously reported of £344k explained by:-</p> <ul style="list-style-type: none"> <li>• A reduction in spend on children in social care of £107k mainly as a result of improved commissioning practices, leading to a reduced unit cost;</li> <li>• A reduced number of children with additional needs in respite and a reduction in the anticipated cost of direct payments, £74k;</li> <li>• An underspend in commissioned services of £63k mainly due to a delay in contracts;</li> <li>• An underspend in the Early Help Hub of £41k mainly on staffing costs and a reduction in staffing costs and other minor variances in Education and Early Years of £59k.</li> </ul> <p>Whilst all management action is being taken to address the forecast overspend, which has reduced by £344k from that last reported, the budget will not be brought back to balance by year end.</p>
Adult Services / Public Health	516	<p>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 and continues to be exacerbated by the Greater Manchester initiative which is currently underway to reduce the number of delayed discharges from hospital.</p>
Economic Growth, Environment & Infrastructure	(356)	<p>The projected underspend, which has reduced marginally by £38k since the last report, includes income from Oakfield Road car park remaining open until the substantive start of the Altair development in June 2017 £228k (demolition started February 2017); increased income from planning above expectations £104k; an underspend on staffing of £323k after taking account of agency costs and additional income from backdated rents on investment properties £68k. These are offset by a shortfall in building control income £122k, an increase in the waste disposal levy of £72k based on latest figures from GMWDA and other reductions in income and increased running costs of £173k.</p>

Transformation & Resources	(1,183)	<p>The projected underspend, which has increased by £286k since the last report due to further staff savings and additional income. Overall there is an £870k underspend from staff vacancies after taking account of agency costs, which is a £135k increase since P8. This equates to 4.4% 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; £78k underspend from cost control of running expenses (an increase of £26k since the last report); £271k from higher levels of income (an increase of £125k since the last report), and includes government grant related budgets in Exchequer Services; other minor adverse variances £36k.</p>
Council-wide budgets	(1,163)	<p>The major reasons for the variance are as previously reported and include:-</p> <p>A significant recovery of housing and council tax benefit overpayments</p> <p>A reduction in contingencies and provisions which are not deemed to be required to support the budget in 2016/17.</p> <p>Additional costs on treasury management in respect of an up-front investment in the pension fund, now expected to be made in April 2017.</p> <p>Since the last report there has been an adverse movement of £985k explained by:-</p> <ul style="list-style-type: none"> <li>• £499k of business rate related savings now moved to overall funding as explained in paragraph 4;</li> <li>• Contribution to earmarked reserves of £821k to support the further reduction in business rates as explained in paragraph 4;</li> <li>• A further reduction to contingency and provision budgets £224k;</li> <li>• Additional housing benefit overpayment recovery and other savings £111k.</li> </ul>
Dedicated Schools Grant	283	<p>The projected overspend, which has reduced by £209k since the last report, continues to relate mainly to pressure within the High Needs Block.</p> <p>However, this has reduced significantly following a decision by the EFA to not claw back grant relating to a special school.</p> <p>The level of DSG reserve is now projected to be £504k at year end.</p>

## Progress against Locality Plan

10. 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.
11. 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 in Table 3.

<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	13,377	43	0.32%
Adult Social Care	52,874	53,347	473	0.89%
Children and Families	29,911	31,956	2,045	6.84%
<b>Total</b>	<b>96,119</b>	<b>98,680</b>	<b>2,561</b>	<b>2.66%</b>

## MTFP Savings and increased income

12. 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.
13. The latest forecast indicates that total savings of £16.01m have been or are projected to be delivered by 31 March 2017. This represents an underachievement against target of £83k, which relates mainly to the Corporate (treasury) savings targets, and is included in the overall projections in Table 1 above.

## RESERVES

14. 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>

15. 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>Table 5: Service balances</b>	<b>b/f April 2016 (£000's)</b>	<b>Firm Commitments (£000's)</b>	<b>Est Balance (£000's)</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>

16. 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**

17. 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%).
18. As at January 2017 the end of year surplus balance is forecasted to be £2.06m. The Council's share of this is £1.73m, and is planned to support future budgets in the MTFP. This is only a minor change on that previously reported.
19. Council Tax collection rate as at 31 January 2017 was 95.94%, which is above the targeted collection rate of 95.72%.

### **Business Rates**

20. 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 on this amount of £2.230m due largely to a continued increase in the level and cost of appeals. This is an increase from previous monitoring reports and will be financed from the balance on the MAG earmarked reserve of £1.41m (previously planned and reported) and supplemented by a



further contribution to reserves from the Council-wide budget of £821k. This position will be monitored during the remainder of the year.

21. Business Rates collection rate as at 31 January 2017 was 89.85% compared to a targeted collection rate of 90.70%. 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

22. The value of the indicative 2016/17 Capital Programme reported in the P8 monitor report was £42.42m. Taking into account new external contributions the budget is currently estimated at £42.44m. The changes to the budget are detailed below and are summarised as follows:

<b>Table 6 - Capital Investment Programme 2016/17</b>	<b>P8 Programme (£000's)</b>	<b>Changes (£000's)</b>	<b>Current Programme (£000's)</b>
<b>Service Analysis:</b>			
Children, Families & Wellbeing	12,835	-	12,835
Economic Growth, Environment & Infrastructure	26,403	18	26,421
Transformation & Resources	3,184	-	3,184
<b>Total Programme</b>	<b>42,422</b>	<b>18</b>	<b>42,440</b>

➤ **Changes to existing budgets - £18k**

- Moor Nook Park, Sale - £8k: A scheme to install a new roundabout at the park as a memorial to a child who used the park. The scheme has been funded from donations made to the family;
- Parks Infrastructure Works – Davyhulme Park - £10k: Additional costs have been covered by the application of a S.106 contribution.

23. 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>P8 Programme (£'000's)</b>	<b>Changes (£'000's)</b>	<b>Current Programme (£'000's)</b>
<b>External:</b>			
Grants	15,446	-	15,446
External contributions	7,861	18	7,879
<b>Sub-total</b>	<b>23,307</b>	<b>18</b>	<b>23,325</b>
<b>Internal:</b>			
Receipts	7,624	-	7,624
Borrowing	11,008	-	11,008
Reserves & revenue	483	-	483
<b>Sub-total</b>	<b>19,115</b>	<b>0</b>	<b>19,115</b>
<b>Total Resourcing</b>	<b>42,422</b>	<b>18</b>	<b>42,440</b>

## Status and progress of projects

24. 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.
25. 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	12.16	28%
Underway	29.18	69%
Programmed to start later in year	0.84	2%
Not yet programmed	0.26	1%
<b>Total</b>	<b>42.44</b>	<b>100%</b>

26. 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 £42.18m (99%) of the budget has now been spent, committed or is programmed to start in the year.
27. Whilst the budget is currently £42.44m, monitoring has identified that estimated outturn expenditure is expected to be £37.33m. A range of schemes have not progressed as originally programmed and whilst the majority has commenced they are not expected to attain the level of expenditure planned. Details and explanations for the £5.11m variance are shown below:
- **Relocation of depot facilities: £3.71m** - purchase of the site for the new facility is not now expected to complete until April 2017, with only the deposit of £300k expected to be incurred this year. Therefore any associated works will not commence until 2017/18. £1.0m of the total Scheme costs of £5.01m have already been phased to 2017/18;
  - **Highways Works: £948k** - Due to a range of issues, including consultation, links to major public realm projects and design changes as a result of professional surveys, a number of highways projects are not now expected to be completed in this year. Information provided by the One Trafford Partnership has identified the areas these schemes relate to:
    - Integrated Transport Schemes - £106k;
    - A56 / Davyhulme Road East, Stretford - £116k;
    - Structural Maintenance Programme - £463k;
    - Public Rights of Way - £40k;
    - Bridges Programme - £223k.

- **Adult Social Care - Agile Working Programme: £260k** - The project involves the purchase of equipment and installation of the associated software application to allow for agile working. The application will not now be available as originally planned and therefore completion is not expected until 2017/18;
- **ICT Projects: £191k** - A number of ICT projects originally planned for 2016/17 are now expected to be undertaken in 2017/18, the schemes concerned are:
  - System Disaster Recovery - £50k;
  - Disaster Recovery Firewall - £16k;
  - SAP SRM Upgrade - £25k;
  - SAP Development - £100k.

28. Schemes with a value of £256k 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. The areas included in this category are:

- **Schools Access Works - £65k** - An allocation is set aside each year for access works which may be required for pupils as and when they arise. At this stage £65k remains un-allocated;
- **ICT projects - £191k** - 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 (see above).

29. 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	60%	38%	1%	1%
Economic Growth, Environment & Infrastructure	19%	78%	3%	0%
Transformation & Resources	8%	83%	3%	6%

## Summary

30. Whilst schemes with a total value of £42.18m, equivalent to 99% of the programme are now either spent, committed or is programmed to start in the year the estimated outturn expenditure is £37.33m due to the reasons stated in paragraph 27. 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**

31. 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**

32. That the Executive note the report and the changes to the Capital Programme as detailed in paragraph 22.