

## TRAFFORD BOROUGH COUNCIL

**Report to:** Executive and Council  
**Date:** 20 February 2019  
**Report for:** Decision  
**Report of:** Executive Member for Finance and the Corporate  
Director of Finance and Systems

### Report Title

**Executive's Revenue Budget Proposals 2019/20 & MTFS 2020/21 - 2021/22**

### Summary

This report sets out the Executive's updated 3 year budget strategy proposals and detailed revenue budget proposals for 2019/20 and Medium Term Financial Strategy (MTFS) for the period 2020/21-2021/22.

The key summary of figures for the revenue budget are:

- The overall budget movement for 2019/20 is an increase in the net budget of £5.69 million or 3.46%, from £164.25 million to £169.94 million.
- The budget funding gap for the three years before applying these proposals is now estimated to be £45.88 million comprising:
  - £34.18 million of additional cost pressures
  - £11.70 million of reductions to funding
- The proposals contained in the report close the 2019/20 budget gap of £13.44 million via a mixture of measures:
  - Additional funding of £3.78 million and use of reserves £2.80 million
  - Income generation £3.28 million
  - Transformational service delivery savings £3.58 million
- It should be noted that if all the proposals in this report are implemented there currently still remains a residual budget gap of:
  - £15.71 million in 2020/21, and
  - £12.81 million in 2021/22

Throughout 2019 the Executive will continue to review proposals to address this budget gap.

## **Recommendation(s)**

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

- a) The 2019/20 net Revenue Budget of £169.94 million.
- b) The 2020/21 to 2021/22 Medium Term Financial Strategy (MTFS) including the income and savings proposals.
- c) The calculation of the Council Tax Requirement as summarised in Section 9.1 and set out in the Formal Council Tax Resolution (as required under statute and formerly called the Green Sheets in Annex I (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) To increase Council Tax by 3.99% in 2019/20:
  - o 2.99% general increase in the 'relevant basic amount' in 2019/20, 2020/21 and 2021/22, and
  - o 1% for the 'Adult Social Care' precept in 2019/20.
- e) The Fees and Charges for 2019/20 and those relating to Registration of Births, Death & Marriages also shown for 2020/21, as set out in the Fees & Charges booklet.
- f) That approval is delegated jointly to each Corporate Director with the Corporate Director of Finance and Systems to amend fees and charges during 2019/20 in the event of any change in VAT rate, as appropriate.
- g) That approval be delegated jointly to each Corporate Director with the Corporate Director of Finance and Systems to amend fees and charges during 2019/20 under delegated powers where the economics of the charge levels have changed (e.g. costs have risen unexpectedly), or for commercial reasons.
- h) That the minimum level of General Reserve for 2019/20 be increased to £7.0 million an increase of £1m from 2018/19 (Section 7.2).
- i) The Capital Strategy, Prudential and Local Indicators and overall level of the Capital Programme and Asset Investment Fund of £212.28 million (as detailed in the Capital Strategy, Capital Programme & Prudential Indicators 2019/22) of which £167.93 million relates to 2019/20; this includes £106.91million of new prudential borrowing.
- j) The Treasury Management Strategy 2019/20 to 2021/22, including the debt strategy (Section 3), the 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.
- k) The distribution of Dedicated Schools Grant as recommended by the School Funding Forum and Executive as summarised in Section 8 and detailed in

Annex H.

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

- a) The objective assessment by the Corporate Director of Finance and Systems of the robustness of budget estimates and adequacy of the financial reserves (Section 7 and Annex G).
- b) The Executive's response to the Scrutiny Committee's recommendations to the budget proposals as included in a separate report on the agenda.
- c) The Council's Public Sector Equality duty.
- d) The results of the consultation on the budget proposals

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

- a) The approval on 23 January 2019 under delegated powers by the Corporate Director of Finance and Systems of the Council Tax Base for 2019/20 at 76,999 Band D equivalents.
- b) Along with the calculation of the estimated Council Tax surplus, sufficient to release £(1.324)million to support the Council's 2019/20 revenue budget and a distribution of £(187)k and £(74)k representing the respective shares of the Mayoral Police and Crime Commissioner Precept and Mayoral General Precept (including Fire Services).
- c) The base budget assumptions as set out in the Medium Term Financial Strategy (MTFS) as detailed in Annex A.
- d) The budget gap for the two years 2020/21, £15.71m and 2021/22, £12.81m.
- e) That the Capital Programme for 2019/20, 2020/21 and 2021/22 is to be set at an indicative £167.93 million, £32.99 million and £11.36 million respectively (indicative at this stage as a number of capital grants not yet known).
- f) 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 Michael Cordingley, Executive Member for Finance  
Nikki Bishop, Corporate Director of Finance and Systems  
Extension: 4884

**Background Papers – Report to Executive 15 October 2018 Executive’s Draft Revenue Budget Proposals 2019/20 & MTFS 2020/22**

**Implications:**

Relationship to Policy Framework/Corporate Priorities	Value for Money. The proposed draft budget for 2019/20 supports all key priorities and policies.
Financial	The report sets out the proposed budget for 2019/20, allocating available resource across service objective heads as detailed in Annex F 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. Budget proposals take account of various legislative changes as they affect Council services. 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. Where appropriate and necessary some of the savings proposals have been the subject of consultation.
Equality/Diversity Implications	The Council has complied with the requirements of its Public Sector Equality Duty. Where appropriate and necessary some of the savings proposals have been the subject of consultation. Measures have been subject to equality impact assessments where necessary.
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 proposal have been considered.

**Other Options**

The Executive is recommending an overall increase to the level of council tax of 3.99% in 2019/20 comprising the increase of 1% for the ‘adult social care precept’ to be earmarked for adult social care expenditure and 2.99% 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 2019/20. If this option were pursued then

further savings of £3.79 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 7) 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**

A number of the savings proposals have been subject to public consultation and the outcomes are detailed in Section 1.2.

### **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 2019/20. The reasons for these recommendations are to deliver a balanced budget for 2019/20 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**      ...JLF.....

**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 2019/20 &  
2020/21-2021/22 Medium  
Term Financial Strategy**

**20 February 2019**

# CONTENTS

	<b>Pages</b>
Foreword by the Executive Member for Finance	1
<b>Section</b>	
1 Budget Process 2019/20	6
2 Financial Background	11
3 2018/19 Base Budget & Monitoring Position as at Period 8 (November 2018)	16
4 Budget Updates 2019/20 and MTFS 2020/22	22
5 Proposed 2019/20 Budget & 2020/22 MTFS	29
6 Investment Strategy	31
7 Robustness, Risks & Reserves	32
8 Schools Funding & Budgets 2019/20	38
9 Council Tax Requirement and Statutory Calculations	44
 <b>Annexes</b>	
A Base Budget Assumptions	48
B Budget Movements & Proposals: Feb 2018 to Oct 2018	49
C Analysis of Business Rate Growth Supporting the Budget in 2019/20	54
D Income and Savings Proposals 2019/20 to 2021/22	55
E 2019/20 indicative Budget Categorised subjectively (changes in expenditure and incomes by category)	62
F 2019/20 indicative Budget Categorised objectively (management accounts format)	63
G Robustness of the 2019/20 Proposed Budget Estimates	66
H Outline of Schools Funding Formula 2019/20	71
I Formal Council Tax Resolution	72

**FOREWORD by the EXECUTIVE MEMBER for FINANCE  
COUNCILLOR MIKE CORDINGLEY**

I am pleased to present the Council's budget report for the period 2019/20 to 2021/22 which sets out our spending priorities across the revenue budget, capital programme and the Dedicated Schools Grant (DSG) budgets. 2019/20 will be the tenth consecutive year that the Council has been challenged with having to set a budget faced with continuing reductions in funding. Over this period this has meant savings to council services of £138m have had to be made; this inevitably poses a strain on continuing to deliver the services that our community deserves.

In recent months the plight of local government finances has come under great attention as a number of local authorities struggle to cope and in some cases have shifted to a core service offer, barely above a statutory minimum. Trafford is already a low spend authority and therefore has limited flexibility available to address further cuts in funding. Our population is projected to increase by around 12% to 261,000 over the next twenty years, a slightly higher rate of increase than the national projection of 11%. 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 40%, whilst those aged 85 and over will increase by 73% bringing even greater challenges to the health and social care system. This coupled with a growth in the level of children in care or with special educational needs, places a great strain on this area of the budget which accounts for over half of our net expenditure.

Over the next few years there will be a number of issues which will have a direct and significant impact on the budget. The national Spending Review next spring will signal the expected levels of resources to be available to local government over the next three years and the long awaited green paper on the future of social care should offer some solutions for our social care services and how they can be afforded in the future.

2020/21 will see two major changes; the implementation of the Fair Funding Review which will be used to distribute resources across local government nationally and a reset of the business rate retention scheme. Both these changes are likely to impact on the level of resources we have to support our services, particularly the latter with a proposed full reset of business rate baselines which will mean that the growth achieved in recent years and which has been supporting our budget will be removed.

Since the summer the Executive and Corporate Leadership Team have held a number of workshops to firstly 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 15 October 2018 there have been a number of factors which have contributed to an overall increase in the budget gap for 2019/20 from £12.10m to £13.44m and over the next three years from £41.37m to £45.88m.

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 Autumn Budget Statement and Local Government Financial Settlement. The implications of the projected outturn for 2018/19 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.

<b><i>Movement in Gross Budget Gap Draft to Final</i></b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>Total £'000</b>
<b>At Draft Budget</b>	<b>12,095</b>	<b>22,533</b>	<b>6,744</b>	<b>41,372</b>
<b>Total Changes to Budget Assumptions (see Annex B for detail)</b>	<b>3,407</b>	<b>1,472</b>	<b>0</b>	<b>4,879</b>
<b>Changes to Funding</b>				
Increase in Council Tax Base further 0.25% to 1.25%	(251)	(11)	(8)	(270)
Additional release of accumulated Council Tax Surplus	(424)	424	0	0
Changes in Bus Rate Assumptions (inc. Reset)	(1,385)	1,280	(1)	(106)
<b>Total Changes to Funding (Non Policy Choice)</b>	<b>(2,060)</b>	<b>1,693</b>	<b>(9)</b>	<b>(376)</b>
<b>Revised Gross Budget Gap (Feb 2019)</b>	<b>13,442</b>	<b>25,698</b>	<b>6,735</b>	<b>45,875</b>

The robustness review of the budget has identified areas where further new investment has been included in the budget proposals, particularly around the pressures being felt in adult and children's social care services. These proposals include for approximately £5.7m of growth between 2018/19 and 2019/20 in this area to cover further demographic growth, children's placement costs, rising cost of home to school transport and additional costs reflecting market pressures (costs exceeding framework prices).

We promised to review the charge introduced during 2017/18 for the collection of garden waste. Removing the charge would have the following impact on the budget:-

- Reduction in net income £1.45m
- Impact on waste levy and provision of bins £350k.

These budget proposals allow for the charge being removed from June 2019, with a short period during which residents without a garden waste bin can request one for free. This has been accommodated as a result of sustainable income from a growth in our council tax-base, projected new income from the Asset Investment Strategy and further savings and income measures identified since the draft budget was prepared. These include additional savings from a debt restructuring exercise and the replacement of a sizeable market LOBO loan instrument.

The 2019/20 revised gross budget gap of £13.44m has been met by a combination of the following:

- Policy Choice Funding Increases amounting to £6.59m, comprising
  - Continuation of the previously proposed increase in Adult Social Care Precept of 1% to generate £0.95 million
  - Increase in the basic rate of Council Tax of 2.99%, generating £2.84m
  - Application of Budget Support Reserve £2.80m
- Income generation and savings amounting to £6.85m, comprising:-
  - Income Generation of £3.28m
  - Service Delivery Savings of £3.57m

<b>Summary of the Budget Proposals</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>Total £'000</b>
<b>Revised Gross Budget Gap (Feb 19)</b>	<b>13,442</b>	<b>25,698</b>	<b>6,735</b>	<b>45,875</b>
<b>Policy Choice Funding Proposals</b>				
Adult Social Care Precept increase 1%	(950)	0	0	(950)
General Increase in basic Council Tax to 2.99%	(2,839)	(2,973)	(3,080)	(8,892)
Contribution from Budget Support/ Business Rate Smoothing Reserves	(2,798)	(4,502)	7,300	0
<b>Total Policy Choice Funding</b>	<b>(6,587)</b>	<b>(7,475)</b>	<b>4,220</b>	<b>(9,842)</b>
Savings and Income proposals *	<b>(6,855)</b>	<b>(2,514)</b>	<b>1,852</b>	<b>(7,517)</b>
<b>Revised Budget Gap (Feb 19)</b>	<b>0</b>	<b>15,709</b>	<b>12,807</b>	<b>28,516</b>

Our capital investment plans include proposals for some major new investment. In October 2018 the Executive approved £46.8m for the rebuild of two new leisure centres in Stretford and Altrincham, in addition to planned investment to redevelop Urmston leisure centre at a cost of £6.95m. In respect of investment on the highways the capital programme includes £6.24m in 2019/20 to be financed mainly from capital receipts.

The capital expenditure plans for 2019/20 also include provision for:-

- Investment in school buildings of £21.6m
- Targeted support to some of our most vulnerable residents £3.6m
- Outdoor sports and improvements to green spaces £1.3m
- Public realm works in our town centres £3.9m
- Expansion of a full fibre IT connectivity across the borough £0.7m
- Town centre and business loans £350k

Section 7 provides an update on the levels of reserves. It is worth noting that whilst the 2019/20 budget proposals in the report include £2.8m of support from the Budget Support Reserve, an amount of £4.5m has been added to reserves during 2018/19 to support future budget plans.

In addition the Council are taking an unprecedented step in supporting the increasing pressures on the High Needs budget (Section 8) by contributing £0.6m towards the cost of SEN provision in 2019/20. This means that the additional grant allocated by the ESFA in December 2018 for high needs can be used to invest in the service in an attempt to avoid changes which will inevitably put pressure on service provision for some of the borough's most vulnerable children.

The proposals in this report still leave a budget gap of £15.7m in 2020/21 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.

The hard reset of the business rate baselines, promised by MHCLG, in 2020/21 will mean that funding streams the Council has become reliant on could be lost and this is the major reason the funding gap for 2020/21 remains at £15.7m. It is unlikely that any indicative funding figures will be made available by Government until late summer or early autumn 2019, a concern that the Local Government Association has taken up directly with MHCLG, which will make financial planning difficult for 2020/21. In any event a number of potential mitigating factors exist:-

- Government are currently consulting on transitional arrangements which, whilst these will unwind over a period of time, could protect the Council from a sudden and significant fall in resources.
- The Council's current budget contains a modest level of discretionary services which will be reviewed during 2019 as well as fees and charges
- Comprehensive Spending Review and the social care green paper could both signal the trajectory of funding in future years and specifically funding for social care.
- Population growth in Trafford is projected to rise faster than the national average which whilst meaning the pressure on Council services could increase is likely to mean improved levels of Government funding through the new formula as proposed which has its basis in population numbers.

The Asset Investment Strategy is realising both regeneration benefits and vital new income streams and the proposal in this budget report to increase the size of the Investment Fund will provide greater scope to achieve further new income streams in 2019/20.

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 £28.52m, 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 2019/20 to meet this future financial challenge.

Councillor Mike Cordingley

A handwritten signature in black ink, appearing to read 'M. J. Cordingley', written in a cursive style.

Executive Member for Finance

## **BUDGET PROCESS 2019/20**

### **1.1 Budget Approach 2019/22**

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

1.1.2 The gross revenue expenditure of the Council in 2018/19 is £454m and comprises:-

- Gross revenue budget £256m (£164m, net of specific grants and fees and charges income);
- Schools (Dedicated Schools Grant) £129m (excluding academy schools);
- Housing Benefits £69m.

1.1.3 In addition the Council has a capital programme of £340m in 2018/19 (including the Asset Investment Fund) which covers the cost of acquisition of new assets and major maintenance and improvements of the Borough's infrastructure.

1.1.4 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/everyone in Trafford”***

1.1.5 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

- 1.1.6 Both the revenue budget and capital programme have been developed to ensure they clearly support the delivery of outcomes related to each priority.
- 1.1.7 The draft budget for 2019/20 was agreed by the Executive on 15th October 2018 and set out the overall approach to the budget to address a funding gap of £41.37m in the revenue budget over the next three years, of which £12.10m related to 2019/20.
- 1.1.8 In developing the budget proposals the Executive has continued to focus on 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.
- 1.1.9 At draft budget in October 2018 a number of income generation proposals and savings totalling £5.94m were identified and assumptions were made on increases to the rate of council tax. At that stage a budget gap of £2.36m remained in 2019/20.

<b>Table 1; Budget Gap Oct 18</b>	<b>2019/20 £000's</b>	<b>2020/21 £000's</b>	<b>2021/22 £000's</b>	<b>Total £000's</b>
<b>Gross Budget Gap before Feb 18 Savings and Policy Choice Funding Proposals</b>	<b>10,606</b>	<b>9,129</b>	<b>0</b>	<b>19,735</b>
<b>Budget Updates at Draft (Oct 18)</b>				
Changes to Budget Assumptions	3,478	4,155	8,547	16,180
Changes to Funding	(1,989)	9,249	(1,803)	5,457
<b>Revised Gross Budget Gap (Oct 18)</b>	<b>12,095</b>	<b>22,533</b>	<b>6,744</b>	<b>41,372</b>
<b>Policy Choice Funding Proposals</b>				
Reinstate Adult Social Care Precept increase 1%	(950)	0	0	(950)
General Increase in basic Council Tax to 2.99% (subject to referendum level)	(2,839)	(2,973)	(3,080)	(8,892)
Contribution from Budget Support/ Business Rate Smoothing Reserves	0	(7,300)	7,300	0
<b>Total Policy Choice Funding</b>	<b>(3,789)</b>	<b>(10,273)</b>	<b>4,220</b>	<b>(9,842)</b>
Savings and Income proposals	(5,943)	(1,885)	1,645	(6,183)
<b>Revised Budget Gap (Oct 18)</b>	<b>2,363</b>	<b>10,375</b>	<b>12,609</b>	<b>25,347</b>

1.1.10 Since the draft budget which was approved by the Executive on 15th October 2018 there have been a number of factors which have impacted on the overall budgetary position.:-

- Provisional Local Government Finance Settlement (Section 2)
- In-year monitoring position (Section 3)
- General review of budget assumptions
- Scrutiny
- Staff Consultation

## 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 carried out public consultation on its budget proposals where required and taken these into consideration when presenting this budget. Those carried out were:

- Council Tax Support involving an increase in provision to the most vulnerable clients. After an eight week consultation, 10 August to 5 October 2018, involving a press release, an on-line survey and a range of stakeholder events more than 75% of those who responded supported the proposed changes. The cost of these favourable changes has been met through the existing budget.
- Adult Social Care Charging and Debt Recovery Policies and Regulatory Reform Order. Policies have been amalgamated and clearer guidance relating to disability related expenditure agreed. In addition, changes to funding, grants and charges were included. After a twelve week consultation, 28 August to 21 December 2018, involving a targeted mailshot, an on-line survey and a range of stakeholder events, the Council has only taken forward the changes that were supported by the majority of the respondents.
- Amendments to Contact Centre opening hours were consulted on via an online consultation. The proposed changes were to move the opening time from 8.00am to 8.30am and closing time to move from 7.00pm to 5.30pm as there is less demand for services during these times and also to encourage residents to use the online facilities that are available. There were only two respondents to this consultation both of whom disagreed with the changes. Having considered the responses the recommendation is to proceed with the changes.
- Revised Car Parking fees for 2019/20 for on and off street car parking, and extending the charging period for on and off street parking to 8pm, Monday to Saturday, from April 2020. There were almost 250 responses

received to this online consultation. There was a balanced response to the revised parking fees, with 42% strongly agreeing/agreeing and 48.5% strongly disagreeing/disagreeing with the amended tariffs. The comments received related to concerns regarding the half hour tariff of 50p, however, this needs to be balanced against the reduced tariffs for longer time periods which will encourage people to extend their stay in town centres. The majority (75%) of those responding to the extended charging period from April 2020 either strongly disagreed/disagreed with the proposal, with 22% of respondents either strongly agreeing/agreeing. However, it is believed that the extended charging period to 8pm will allow for more effective parking management in town centres and high use areas in the future.

In addition, the Council is committed to the sustainable development of the borough's town centres which are well served by public transport, including the metrolink which provides excellent connectivity to Altrincham, Sale, and Stretford town centres. The Council is actively working with the GMCA/TfGM to further improve these services and public transport provision as a whole. The Council has made significant investment in the town centres, such as the c£3m improvements to the public realm in Altrincham with a further c£3m planned, and c£2m planned to further improve the public realm in Stretford. Also Altrincham has greatly benefited from the c£19m investment made in the new Interchange providing a hub for bus, tram and train services. As part of the GM Mayor's Made to Move strategy, aimed at encouraging walking and cycling to benefit health and wellbeing and reduce congestion, the Council is developing plans to improve cycling and walking routes throughout Trafford and is currently developing an Active Neighbourhood pilot for Urmston and will be exploring the potential for a further pilot in Sale. The Council is therefore trying to ensure a balanced approach between car usage and the accessibility of efficient and effective public transport in Trafford.

For these reasons, having considered the responses and comments received, the recommendation is to proceed with the proposed changes.

### **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 (3 October 2018)
- Stage 2 – Presentation by the Leader of the draft budget proposals agreed on 15 October 2018 (7 November 2018)
- Stage 3 – Two further sessions were held on 4 and 6 December 2018 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 28 January 2019 in the 'Overview and Scrutiny Review of the Executive's Draft Budget Proposals for 2019/20' report
- 1.3.4 The report identifies that Scrutiny Members feel that there are some key areas where the Executive needs to satisfy itself of the robustness of the proposals. These are:
- Delayed Transfers of Care
  - Demand Led Services
  - Adults and Children's Social Care Budget Saving Proposals
  - Budget Reserves and Provisions
  - Budget Monitoring and Future Budget Shortfall
- 1.3.5 In addition Scrutiny requested that a budget be made available to seek the relevant advice to inform a Task & Finish Group's work in developing a carbon budget and set a challenging target date for carbon neutrality in Trafford. Specific costs are not yet known but will have to be met from in year savings within the Place Directorate budget.
- 1.3.6 The Executive's response to the Scrutiny Committee issues and recommendations can be found in a separate report on the Executive agenda.

#### **1.4 Staff Consultation – Terms and Conditions**

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

## 2. FINANCIAL BACKGROUND

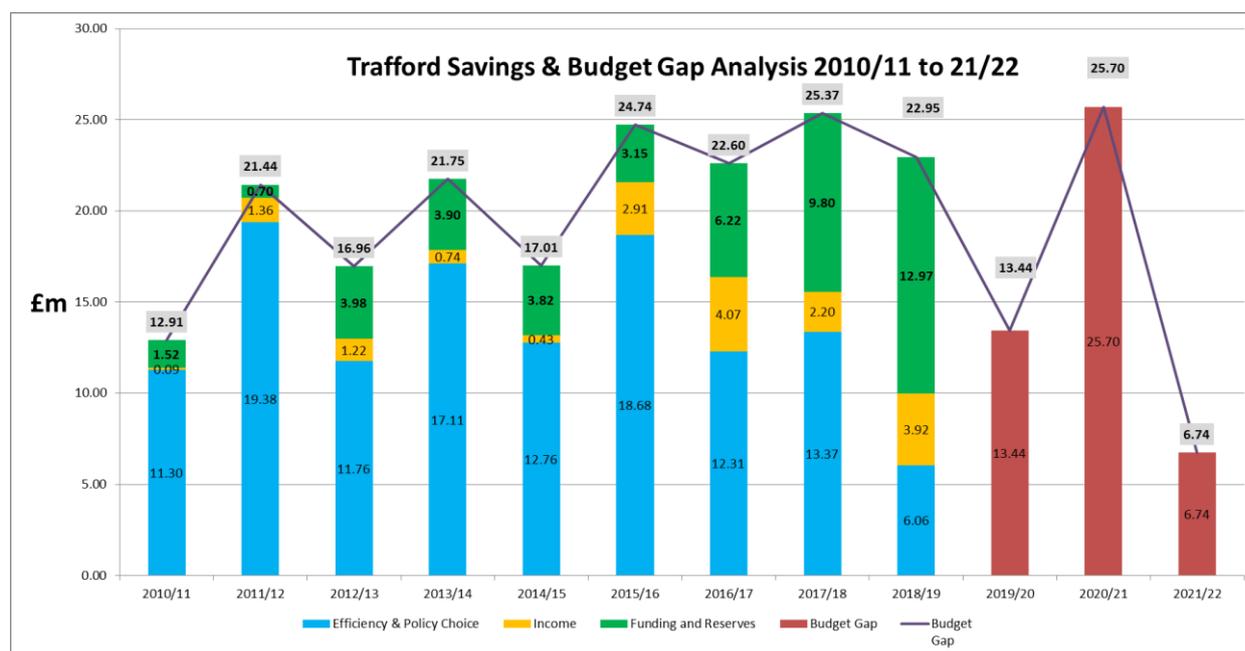
### 2.1 Background

2.1.1 Since 2010 the Government has reduced the funding for Local Government as part of its efforts to reduce the fiscal deficit. This equates to a 28.6% real terms reduction in an authority's spending power, taking into account council tax.

2.1.2. Alongside reductions in funding, local authorities have had to deal with growth in demand for key services, most notably adult's 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 and will remain relatively flat until 2019/20.

2.1.4 This has meant that by 2019/20 the total value of budget gaps caused by the expenditure pressures and funding reductions since 2010/11 to 2018/19 is £185.7m. There is a further forecast gap for the next three years of £45.88m, of which £13.44m relates to 2019/20.



### 2.2 Autumn Budget

2.2.1 The Chancellor's Autumn Budget on 29 October 2018 announced more positive news for local government. Overall public-sector spending forecasts for the 2019 Spending Review are better than had previously been expected, and local government should gain from this improvement. In the short term, local government appears to have moved up the Government's agenda and additional funding for the sector has been announced for both 2018/19 and

2019/20. However, these new grants only partially offset the £1.4bn and £1.3bn cuts in Revenue Support Grant in 2018/19 and 2019/20 respectively.

#### 2.2.2 The additional funding included:-

- £650m additional grant funding for adult social care in 2019/20,
- £45m for DFG in 2018/19,
- £84m on 5 years on children's service programme
- £450m in 2018/19 for potholes that will be allocated to highways authorities.

#### 2.2.3 Trafford's share of the capital allocations has been incorporated in the 2018/19 capital programme whilst the additional social care funding has been included in the budget plans for 2019/20:-

- £1.616m Social Care Support Grant – to ensure that pressures in both adults and children's social care do not create additional demand on the NHS
- £0.946m Winter Pressures – a continuation of the investment made in 2018/19 to address delayed discharges to care

### 2.3 Local Government Finance Settlement

#### 2.3.1 The 2019/20 Local Government Finance Settlement was announced on 13 December 2018.

#### 2.3.2 At a headline level the total Core Spending Power (CSP) for local government as a whole will increase from £45.098bn to £46.373m (2.8%) between 2018/19 and 2019/20. CSP comprises a number of core funding components with the main ones being:-

- Settlement Funding Assessment (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

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

<b>Table 2: Core Spending Power</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>
Settlement Funding Assessment	45.334	41.133
Section 31 BR compensation grants	0.803	1.168
Council Tax	94.497	99.649
Improved Better Care Fund	5.725	7.037
New Homes Bonus	1.636	1.724
Rural Services Delivery Grant	0	0
Transition Grant	0	0
Adult Social Care Support Grant	0.591	1.616
Winter Pressures Grant	0.946	0.946
<b>Total</b>	<b>149.532</b>	<b>153.273</b>
<b>% Increase</b>		<b>2.5%</b>

2.3.4 The increase for Trafford was lower than the national average due to the size of reduction in Revenue Support Grant.(See Table 3)

2.3.5 The Settlement confirmed the funding offered in accepting the four year settlement deal as detailed in the table below. This shows a further reduction in Revenue Support Grant, a component of SFA in the table above, of £5.00m, which impacts on the level of baseline funding retained by the Council (See Annex C).

<b>Table 3 - The Funding Offer</b>	<b>2016/17 £000's</b>	<b>2017/18 £000's</b>	<b>2018/19 £000's</b>	<b>2019/20 £000's</b>
Revenue Support Grant	22,989	15,276	10,303	5,299
Transitional Grant	465	458	0	0
Rural Services Delivery Grant	0	0	0	0
<b>Total</b>	<b>23,454</b>	<b>15,734</b>	<b>10,303</b>	<b>5,299</b>

2.3.6 The Settlement also included the following:-

- Confirmation on the council tax referendum threshold of 2.99%;
- Confirmation of baseline funding, business rate baselines and tariff levels for 2019/20;

- Start of two consultations on local authorities' relative needs and resources and business rate retention reform, including a business rate reset for 2020/21;
- A Green Paper is still awaited setting out the Government's proposals for reform of social care funding;
- A number of technical changes to business rates due to indexation changes, release of unused national business rates levy and new homes bonus allocations.

2.3.7 The Final settlement was announced on 29 January 2019 and confirmed the details in the provisional settlement and the final year of the four year settlement. The only change was additional council tax flexibility for Northamptonshire County Council.

### **Business Rates**

2.3.8 Whilst the settlement contained a range of technical adjustments affecting the level of business rates available to support the budget in 2019/20, significant benefit will continue to be realised from the GM business rate pilot. The main benefit being that the Government's share of business rate growth, above baseline of 50% under the previous arrangement, is no longer payable and instead retained within GM. The overall benefit from business rates growth supporting the Council's 2019/20 budget is £13.29m as detailed in Annex C.

2.3.9 However, there still remains uncertainty over the level of funding that will be available from 2020 due to the impending 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.

### **Council Tax**

2.3.10 Whilst Council Tax in Trafford remains one of the lowest in the country and the lowest in Greater Manchester, council tax revenues continue to be fairly buoyant due in part to the growth in the tax base. This is due not only to the success of the local economy, with less having to be paid in council tax support, but also the Council has a proactive approach in assisting housing developers with their planning applications including linking them into funding sources to improve the prospect of delivery. Also investment in public realm is expected to have the twin benefits of attracting more business whilst also making our town centres attractive places to live.

2.3.11 Taking this into consideration the Corporate Director of Finance and Systems, in accordance with her delegated powers, has approved a Tax Base of 76,999 Band D properties for 2019/20, an increase of 954 from 2018/19. The forward plans have an expectation of growth in council tax base of 1.25% for 2019/20 and 1.0% in each of 2020/21 and 2021/22.

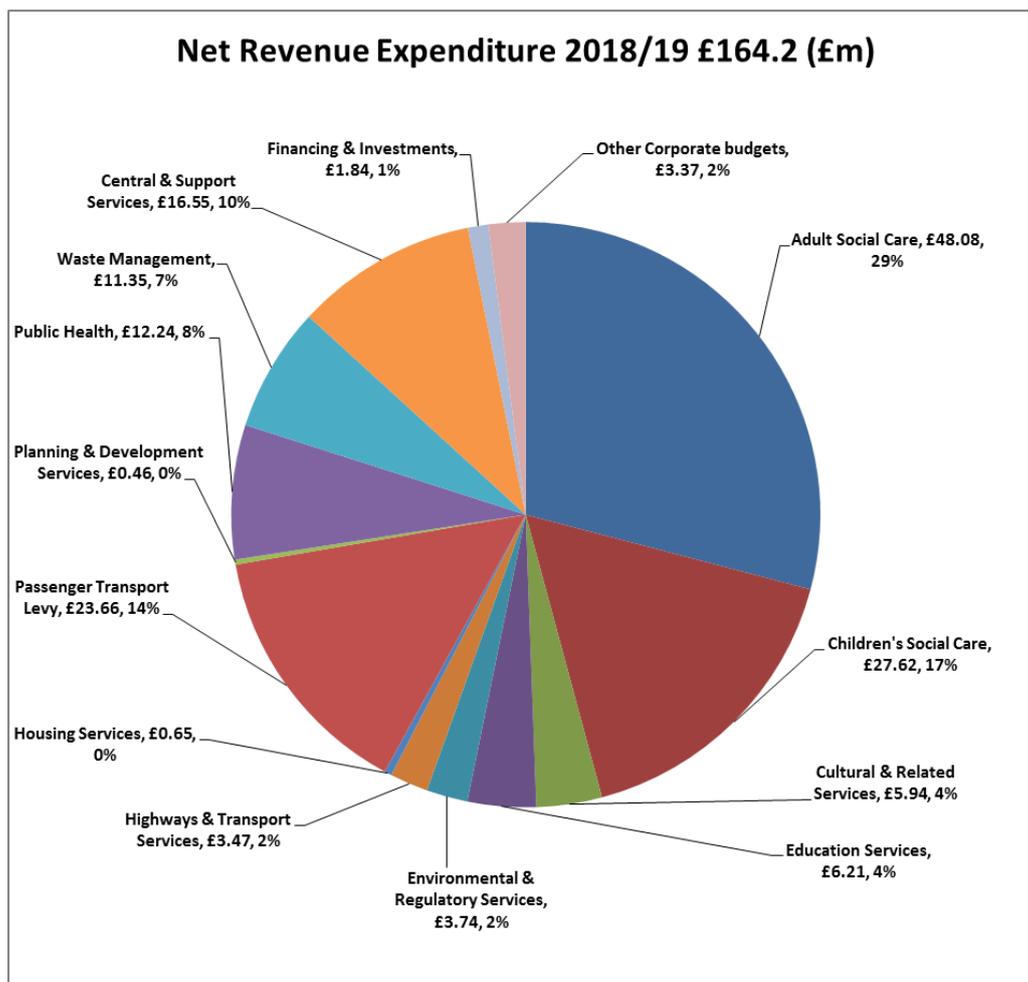
## **Summary**

2.3.12 Although the levels of external grant available continue to decline, the additional funding from local tax revenues are proving crucial to balancing the budget and avoid the need to make further savings in the cost of public services. This will be supported further through new income streams from the Council's Asset Investment Strategy.

### 3. 2018/19 BASE BUDGET & MONITORING POSITION as at PERIOD 8 (November 18)

#### 3.1 Base Budget 2018/19

3.1.1 The Council's current gross budget for 2018/19 is £454.4m however this includes specific funding of Dedicated Schools Grant and Housing Benefit. The Council's net controllable budget agreed by Council in February 2018 was £164.2m.



3.1.2 The impact of this expenditure includes:-:

#### ➤ Adult Social Care

- Supported over 3,116 residents with a care package;
- Provided 7,073 services to service users;
- Provided over 540,000 hours of external home care support;
- Supported 806 residents through Stabilise and Make Safe (reablement);
- Supported 595 residents through Discharge to Assess (preventing Delayed Transfers from Acute Beds).

➤ **Children's Social Services**

- 3,046 children in receipt of children's safeguarding services;
- 501 periods of children being in the care of the local authority;
- 450 Child Protection plans in the reporting year to date.

➤ **Place**

- Maintained over 500 miles of roads and footpaths;
- Maintained over 27,500 lampposts and 4,500 items of illuminated street furniture;
- Responsible for 18,000 highway trees and 50,000 trees within public parks and open spaces;
- Remove approximately 350 tonnes of street sweepings and litter per month;
- Empty approximately 40,000 bins of household rubbish every day;
- Support and regulate over 5,000 premises for food, health and safety, trading standards, pollution and licensing;
- Manage parking restrictions on street and off street across the borough;
- Licence and regulate approximately 2,400 premises, people and taxis within the Borough;
- Carry out over 2,000 pest control treatments in homes, schools and businesses across the borough;
- Assist over 200 existing and start-up businesses in Trafford;
- Support approximately 400 people in Trafford into employment via the Trafford Pledge, Working Well, and other employment programmes;
- Provide housing advice and assistance to over 22,000 households across the borough;
- Prevent over 650 households from becoming homeless;
- Assist over 200 households to find and secure affordable housing through the Council's Housing Register;
- Enable the development of 85 new affordable homes across the borough;
- Determine over 3,000 planning applications;
- Grant planning permission for 173,583sq meters of employment space (April to Dec 2018);
- 2,154 fixed penalty notices issued for littering;

- 150 littering prosecutions.
- **People, Finance & Systems, and Governance & Community Strategy**
- The Council continues to collect over 98% of Council Tax remaining the highest collection rate in GM which supports the Council's financial resources;
  - The Council's customer contact service deals with over 256,000 telephone enquiries and over 7,600 emails per year. In 2019/20, the Contact Centre target is to answer 70% of telephone calls within 30 seconds;
  - The Catering Service serves on average 12,500 meals per day, over 2.38 million meals per year;
  - The authority has one crematorium and five cemeteries and the service undertakes approximately 1,700 cremations and 600 burials per year;
  - The Council continues to promote openness and transparency and our Council meetings have received over 3,000 online views;
  - Waterside, Trafford's award-winning destination for performance, culture and events, welcomed over 115,000 visitors in 2017/18. 244 professional productions took place at the venue with over 46,000 tickets sold;
  - In November 2018, Waterside scooped Venue of the Year at the Northern Soul Awards 2018;
  - Provision of the Council's in-house professional services of HR, Legal, IT & Finance;
  - Facilitates and supports the award winning Trafford Partnership;
  - Provision of wedding facilities at Trafford Council venues, including the newly refurbished Flixton House.

### 3.2 Revenue Budget Monitoring 2018/19 Period 8 (November 18)

3.2.1 Delivery of the 2018/19 budget is critical to maintaining the Council's budget proposals and future MTFS. The period 8 (November 2018) revenue budget monitoring report forecasts a small underspend of £28k as follows:

<b>Table 4: Budget Monitoring results by Service</b>	<b>2018/19 Revised Budget £000's</b>	<b>Forecast Outturn £000's</b>	<b>Forecast Variance £000's</b>	<b>Percent -age</b>
Children's Services	32,337	34,082	1,745	5.4%
Adult Services	47,976	48,473	497	1.0%
Public Health	12,227	12,556	329	2.7%
Place	23,851	22,769	(1,082)	(4.5)%
People	2,742	2,907	165	6.0%
Finance & Systems	6,994	6,945	(49)	(0.7)%
Governance & Community Strategy	7,426	7,575	149	2.0%
<b>Total Directorate Budgets</b>	<b>133,553</b>	<b>135,307</b>	<b>1,754</b>	<b>1.3%</b>
Council-wide budgets	30,693	29,720	(973)	(3.2)%
<b>Net Service Expenditure variance</b>	<b>164,246</b>	<b>165,027</b>	<b>781</b>	<b>0.5%</b>
<b>Funding</b>				
Business Rates	(67,619)	(68,428)	(809)	(1.2)%
Council Tax	(94,497)	(94,497)	-	
Reserves	(1,630)	(1,630)	-	
Collection Fund surplus	(500)	(500)	-	
<b>Funding variance</b>	<b>(164,246)</b>	<b>(165,055)</b>	<b>(809)</b>	<b>(0.5)%</b>
<b>Net Revenue Outturn variance</b>	<b>0</b>	<b>(28)</b>	<b>(28)</b>	<b>(0.0)%</b>

3.2.2 The current in-year variations contain a number of notable items:-

- **Business Rates :**
  - The 2018/19 budget included anticipated growth in retained business rates and related S31 grants of £9.89m. It is still anticipated that the overall budget will be achieved in year, however there has been a net reduction in the underlying amount of Rates collected of £1.5m, as explained further below, offset by a combined one-off increase in Section 31 Grants and a Tariff adjustment relating to previous years of £1.5m;
  - There has been a significant reduction in the underlying total gross rates income, of approximately £5.5m, relating to a number of significant building demolitions and further temporary

reductions due to major building refurbishments. These reductions have largely been offset by a lower provision for rates appeals of £4.0m. The lower provision is a result of a large number of appeals being dismissed by the Valuation Office Agency in respect of major infrastructure projects. This has left an overall net deficit on the Collection Fund of £1.5m. This deficit will need to be made good in 2019/20 by utilising the surplus Section 31 Grants and Tariff adjustment, which will be held in an earmarked reserve for this purpose at year end;

- The underlying reduction in Rateable Value caused by the permanent demolitions, along with a review of the level of provision being held for appeals are being considered as part of setting the 2019/20 and future years' budgets;
  - In addition to the core rates budget, a one off receipt of £3.31m is due from Greater Manchester Combined Authority which represents Trafford's share of unutilised monies from the 2017/18 Business Rates Growth Pilot contributions. It is proposed that a figure of £2.5m is transferred to the Business Rates Growth Pilot Reserve to smooth any volatility in future year's business rates, as those being experienced in the current year. This leaves a net surplus of £0.81m which can be used to partially offset the in-year forecast budget pressures elsewhere.
- Underspend in Place £1.082m, mainly due to one-off business rate refunds (net of fees) relating to Sale Waterside and Trafford Town Hall of £937k;
  - Investment Strategy covering the purchase of properties and other investments, part year benefit of £177k;
  - Treasury Management savings of £363k resulting from a recent debt restructure where high rated debt has been replaced with an equivalent amount of low rated debt;
  - The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above target by £210k, largely as a result of the successful collection of prior years' housing benefit overpayments;
  - A number of Council-wide contingencies and provisions relating to service savings not being achieved and doubtful debts are reviewed on a regular basis and it was considered appropriate, after taking account of one-off costs relating to capital projects no longer proceeding, to release £289k;
  - The latest monitoring information from Stockport Council has identified a projected budget pressure in Coroners and Mortuary fees of £66k.

It should also be noted that:

- A total dividend received from Manchester Airport Group (MAG) in the year of £5.635m is above budget by £2.038m. This one-off saving will be transferred to the MAG Investments Reserve as a prudent measure to protect against the risk of future volatility of MAG income streams;

- Planning income (net of costs) is £355k above target and is ring fenced for re-investment in the service in line with government regulations.

3.2.3 These additional income streams and savings have mitigated the impact of continuing underlying pressures in both adults and children's social care caused by a combination of factors including pressures on children's placement costs, home to school transport and higher than expected costs of adult social care packages.

3.2.4 These items above have been considered in developing the budget proposals for 2019/20 and later years.

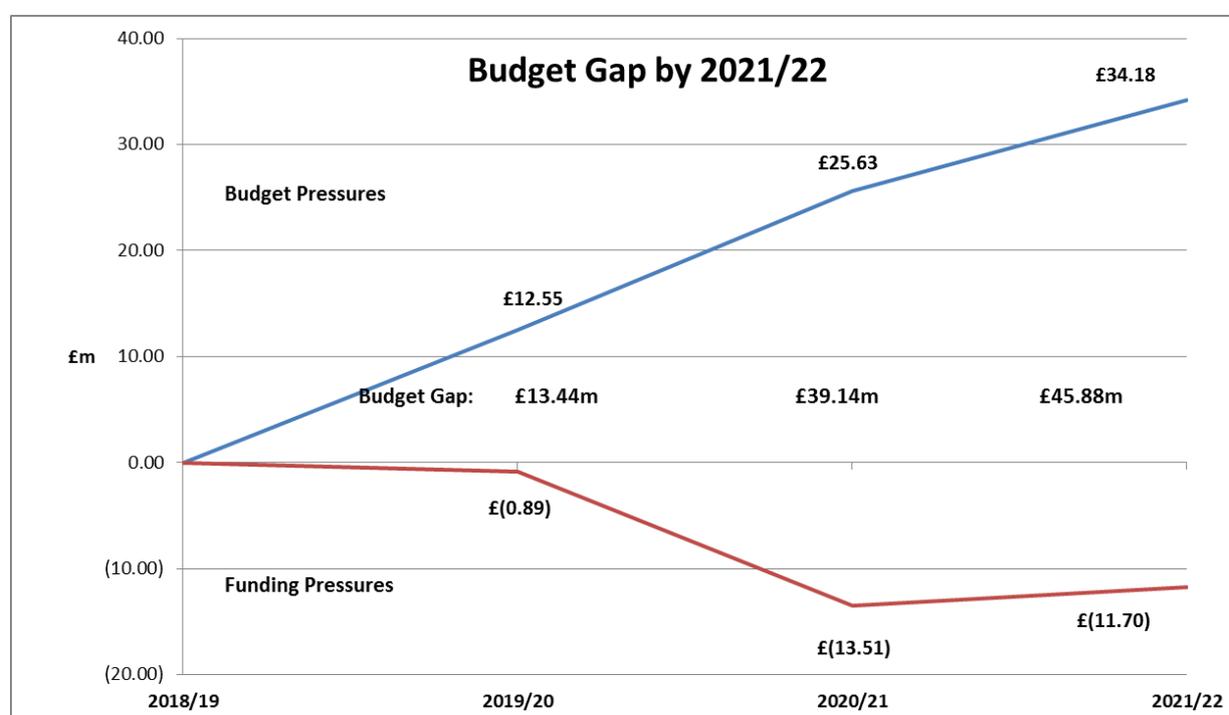
## 4. BUDGET UPDATES 2019/20 and MTFFS 2020/22

4.1 This section identifies:-

- The overall budget gap for 2019/20 and later years and explains the changes since the draft budget was published in October 2018;
- How the budget gap has been closed for 2019/22.

### 4.2 Updated Annual Funding Position

4.2.1 The MTFFS position reported to the Executive in the October 2018 Draft Budget Report showed an overall funding gap for 2019/20 to 2021/22 of £41.37m, however due to the in-year demand being experienced within Adult and Children Services, the release of the 2018 Autumn Statement and provisional 2019/20 Local Government Finance Settlement, and updates to policies, assumptions and estimates, the funding gap for the three years has now increased by £4.51m to £45.88m, as shown in the chart below:



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

#### 4.3.1 Budget Pressures:

An overall increase in cost pressures of £34.18m over the next three years, an increase of £4.88m 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% pay award, with some lower grades receiving up to 7.3% in 2019/20. An impact of £5.21m over three years.
- Living Wage: an allowance of £5.07m over the next three years has been provided, which covers projected increases in pay, for external care staff, up to the target National Living Wage of £9 per hour.
- Inflation: relates to non-staffing budgets and includes a general allowance of 2%; plus other contractual inflation totalling £6.79m over the next three years.
- Levies: an increase of £2.53m over three years which includes allowances for waste disposal, transport and Environment Agency (flood defence).
- Children's and Adult Social Care: an annual budget increase of £10.2m over the next three years to reflect the increasing number of adults & children requiring social care. **This represents an increase of £2.7m since the draft budget** (£1.0m Children, £1.7m Adults) including additional budgeted costs associated with Winter Pressures of £0.95m announced in the Autumn Statement.
- New Income: including an allowance of £2.66m for the Council's share of the additional funding of £1.5bn the Government is providing for the improved Better Care Fund. A reduction in Adult Social Care Support grant of £0.6m since draft budget as the grant has now been confirmed as one off grant in 2018/2019. A further £1.6m announced in the autumn budget for social care to avoid pressures in the National Health Service and an additional £0.95m for Winter Pressures funding.
- Expected Grant Changes: increase in New Homes Bonus £88k compared to 2018/19 an improvement of £355k since draft budget, largely as a result of an increase in the number of domestic properties. There has also been a reduction in the DSG recharge £200k.
- Treasury Management: includes investment interest and borrowing costs, a reduction of £0.92m over three years, which has been caused by an increase in investment income in line with projected increases in investment rates and savings in maturing debt costs.
- Other: totalling £9.4m over three years, an increase of £3.3m since draft budget. This includes
  - cost pressures of £3.26m in 2020/21 after the loss of transformation funding
  - £550k extra on home to school transport as a result of an increase in pressures being experienced in 2018/19, this has increased by £200k since draft
  - reversals in 2019/20 of prior year savings which were either one off in nature or coming to an end. These include the

refund of AGMA overpayments £413k, early retirement savings on pension payments £228k, reversal of the savings benefit from the advanced pension payments £760k, Housing Benefit overpayment recovery £700k, and allowances for other minor service pressures and contingency items.

- Other additional costs since draft include £1.0m temporary additional contingency due to increasing price pressures in the public health budget which will be addressed by service reviews during 2019/20, £250k for the implementation of Microsoft Office 365, £400k reversal of the non-recurrent Housing Benefit savings and £1.8m loss of existing income and increase in levy charges associated with the removal of the charges for Green Waste.

**Overall increase in the estimate of budget pressures in 2019/20 since the October draft budget is £4.88m**

#### 4.3.2 Estimated Funding Pressures for the period to 2021/22: £11.7 million

Using the 2018/19 funding of £164.25m as the baseline, this is estimated to reduce to £152.55m over the next three years, resulting in a funding pressure of £11.7m. This represents an improvement of £0.4m since draft budget. The main feature in the total pressure relates to the reset of the Business Rates Growth Pilot in 2020/21 which is being partially offset through an increase in the Council Tax base as detailed below:

- Council Tax: a 1.25% allowance in 2019/20 followed by a 1% increase in 2020/21 and 2021/22 estimated growth in the number of properties, increasing the Council Tax base in each of the next three years. This will generate approximately £1.19m in 2019/20 and £0.9m in the following two years.
- Council Tax release of prior years' accumulated surplus will contribute an additional £1.324m on a one off basis in 2019/20, an increase of £424k since draft budget of which £0.17m (£0.6m at draft) will be transferred to the budget support reserve to support future years' budgets.
- In 2018/19, there was a one off contribution from the budget support reserve. Its removal creates an ongoing funding pressure of £1.63m.

Business Rates: The total estimated reduction in Business Rates over three years is estimated at £12.9m (£13.0m at draft), largely as a result of the reset of the growth pilot of £13.2m, loss of the Revenue Support Grant component of the Baseline Funding Level of £5.0 million, offset by £5.3m of inflation indexation.

At the draft budget the total benefit from Business Rates for 2019/20 was estimated at £65.10m, a reduction of £2.52m from 2018/19. The estimated benefit from Business Rates has been updated to £66.49m as a result of the provisional settlement, representing an improvement of £1.39m. The

improvement consists of the one-off distribution of a national levy surplus of £550k, an increase in Section 31 grant of £251k to compensate Trafford for changes in Small Business Rate Relief and £584k relating to changes in Baseline Funding, Tariff and indexation.

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

<b>Table 5: Benefit from Business Rates</b>	<b>2018/19 £000's</b>	<b>2019/20 £000's</b>	<b>2020/21 £000's</b>	<b>2021/22 £000's</b>
Core Baseline Funding	35,031	35,834	36,551	37,281
Revenue Support Grant	10,303	5,299	5,299	5,299
Public Health Grant	12,391	12,064	12,064	12,064
<b>Total Baseline Funding Level (BFL)</b>	<b>57,725</b>	<b>53,197</b>	<b>53,914</b>	<b>54,644</b>
<b>Business Rates Benefit</b>	<b>9,895</b>	<b>13,292</b>	<b>85</b>	<b>86</b>
<b>Total Benefit from Business Rates</b>	<b>67,620</b>	<b>66,489</b>	<b>53,999</b>	<b>54,730</b>
<b>Yearly Change</b>				
Change in BFL		(4,528)	717	731
Change in Business Rates Benefit		3,397	(13,207)	2
<b>Yearly Change</b>		<b>(1,131)</b>	<b>(12,490)</b>	<b>733</b>

4.3.3 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 6: Movement in Gross Budget Gap Draft to Final</b>	<b>2019/20 £000's</b>	<b>2020/21 £000's</b>	<b>2021/22 £000's</b>	<b>Total £000's</b>
<b>Gross Budget Gap at Draft Budget</b>	<b>12,095</b>	<b>22,533</b>	<b>6,744</b>	<b>41,372</b>
<b>Total Changes to Budget Assumptions (see Annex B for detail)</b>	<b>3,407</b>	<b>1,472</b>	<b>0</b>	<b>4,879</b>
<b>Changes to Funding</b>				
Increase in Council Tax Base further 0.25% to 1.25%	(251)	(11)	(8)	(270)
Additional release of accumulated Council Tax Surplus	(424)	424	0	0
Changes in Bus Rate Assumptions (inc. Reset)	(1,385)	1,280	(1)	(106)
<b>Total Changes to Funding (Non Policy Choice)</b>	<b>(2,060)</b>	<b>1,693</b>	<b>(9)</b>	<b>(376)</b>
<b>Revised Gross Budget Gap (Feb 2019)</b>	<b>13,442</b>	<b>25,698</b>	<b>6,735</b>	<b>45,875</b>

#### 4.4 How The Budget Gap Has Been Met 2019/20

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

<b>Table 7: Summary of the Budget Proposals</b>	<b>2019/20 £000's</b>	<b>2020/21 £000's</b>	<b>2021/22 £000's</b>	<b>Total £000's</b>
<b>Revised Gross Budget Gap (Feb 19)</b>	<b>13,442</b>	<b>25,698</b>	<b>6,735</b>	<b>45,875</b>
<b>Policy Choice Funding Proposals</b>				
Adult Social Care Precept increase 1%	(950)	0	0	(950)
General Increase in basic Council Tax to 2.99%	(2,839)	(2,973)	(3,080)	(8,892)
Contribution from Budget Support/ Business Rate Smoothing Reserves	(2,798)	(4,502)	7,300	0
<b>Total Policy Choice Funding</b>	<b>(6,587)</b>	<b>(7,475)</b>	<b>4,220</b>	<b>(9,842)</b>
Savings and Income proposals *	<b>(6,855)</b>	<b>(2,514)</b>	<b>1,852</b>	<b>(7,517)</b>
<b>Revised Budget Gap (Feb 19)</b>	<b>0</b>	<b>15,709</b>	<b>12,807</b>	<b>28,516</b>

(\*) Full details are included in Annex D

4.4.2 A summary of the changes since the Draft Budget Report in October 2018 which included a remaining gap of £2.363m are summarised as follows with more specific detail given in Annex B

<b>Table 8: Movements Since Draft Budget</b>	<b>2019/20 £000's</b>	<b>2020/21 £000's</b>	<b>2021/22 £000's</b>	<b>Total £000's</b>
<b>Budget Gap (Oct 18)</b>	<b>2,363</b>	<b>10,375</b>	<b>12,609</b>	<b>25,347</b>
Changes to Budget Assumptions	3,407	1,472	0	4,879
Changes to Funding (Non Policy Choice)	(2,060)	1,693	(9)	(376)
Changes to Savings and Income Proposals	(912)	(629)	207	(1,334)
Changes to Funding (Policy Choice)	(2,798)	2,798	0	0
<b>Total Budget Gap (Feb 19)</b>	<b>0</b>	<b>15,709</b>	<b>12,807</b>	<b>28,516</b>

An explanation of the changes to Budget Assumptions/ Pressures and Funding (Non Policy Choice) are referred to above at 5.3.1 and 5.3.2 with full details shown in Annex B.

The major changes to Savings and Income Proposals and Policy Choice Funding totalling £(0.912)m and £(2.798m) in 2019/20, are summarised below with full details in Annex B.

New Savings, Income Proposals and Policy Choice Adjustments

- An extra £585k with regard to the Asset Investment Strategy

- £300k extra relating to our treasury management activities and investments in Manchester Airport Group.
- Loss of expected additional income in 2019/20 of £395k relating to Green Waste charges (was the assumed increase in budgeted income)
- £400k additional income from the recovery of Housing Benefit Overpayments

#### Changes to Funding (Policy Choice)

- The figure of £(2.798)m relates to the use of the Budget Support Reserve to balance the 2019/20 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 2019/20.

#### 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 2019/20
- b) to allow Local Authorities to increase their Council Tax by less than 3% without the need to hold a referendum i.e. allow a 2.99% general increase in the 'relevant basic amount'. This budget report includes for a 2.99% increase in 2019/20 and a further 2.99% increase in 2020/22.
- c) Continue the flexibility offered on the use of the 'adult social care precept', the original intention was for a 2% per year increase from 2017/18 to 2019/20, in recognition of the pressures on adult social care services. Social care authorities were then given the flexibility to increase by up to 3% in 2017/18 or 2018/19 but still could not exceed 6% in total over the three year period. The proposals in this report include for a further precept amount of 1% in 2019/20, following the 3% and 2% levied for 2017/18 and 2018/19 respectively. The Autumn Statement made no further reference to increases in the adult social care precept from 2020/21.

#### **Therefore the budget for 2019/20 includes proposals for an overall increase in the level of Council Tax of 3.99%:**

- 2.99% general increase in the 'relevant basic amount' and
- 1% for the 'Adult Social Care' precept

#### **4.5 Existing & New Savings & Income Proposals**

- 4.5.1 The table below summarises all the income and savings programmes of £6.855m in 2019/20 and proposals by the Council's corporate priorities:

<b>Table 9: Summary of Savings &amp; Income Proposals by Intervention</b>	<b>2019/20 £000's</b>	<b>2020/21 £000's</b>	<b>2021/22 £000's</b>	<b>Total £000's</b>
 Building Quality, Affordable and Social Housing	(10)			(10)
 Pride in Our Area	(208)	(5)	(5)	(218)
 Green and Connected	(164)	(73)		(237)
 Successful and Thriving Places	(5,309)	(2,436)	1,857	(5,888)
 Children and Young People	(595)			(595)
 Targeted support	(569)			(569)
<b>Total Income and Savings</b>	<b>(6,855)</b>	<b>(2,514)</b>	<b>1,852</b>	<b>(7,517)</b>

4.5.2 New income and savings proposals to be approved in this report are individually listed in Annex D.

## 5. PROPOSED 2019/20 BUDGET and 2020/22 MTFS

5.1.1 The proposed net budget for 2019/20 is £169.936m an increase in the net budget of £5.69m or 3.5%, from £164.245m. Full subjective and objective summaries providing a breakdown of the 2019/20 net budget of £169.936m can be found in Annexes E & F.

5.1.2 Whilst the budget gap has now been closed for 2019/20 the size of the challenge over the following two years remains significant. For that reason the budget process for 2020/21 will, as in previous years, commence immediately after the approval of the 2019/20 budget such that sufficient time is afforded to consider all options at an early stage, to ensure robust savings proposals can be developed in order to bridge the budget gap in future years as shown below.

Table 10: The 2019-22 Budget Gap	February 2019		
	2019/20 £000's	2020/21 £000's	2021/22 £000's
<b>Budget Forecasts</b>			
<b>Net Budget b/fwd</b>	<b>164,245</b>	<b>169,936</b>	<b>180,508</b>
<b><u>Budget Pressures</u></b>			
Pay	1,831	1,666	1,717
Living Wage	1,929	1,572	1,572
Inflationary	218	282	287
Contractual Obligations	2,117	1,930	1,960
Levies	1,360	662	507
Social Care Demographic	5,235	2,500	2,500
Grants, Legislative & Service Transfers	(5,074)	702	4
Loss of Income	55	(350)	0
Treasury Management	(220)	(698)	0
Other	5,095	4,820	0
<b>Total Budget Pressures</b>	<b>12,546</b>	<b>13,086</b>	<b>8,547</b>
<b><u>Approved Budget Proposals</u></b>			
Income	(3,274)	(847)	1,862
Efficiencies & Policy Choice	(3,581)	(1,667)	(10)
<b>Total Approved Budget Proposals</b>	<b>(6,855)</b>	<b>(2,514)</b>	<b>1,852</b>
<b>Net Budget</b>	<b>169,936</b>	<b>180,508</b>	<b>190,907</b>

<b>Budget Forecasts</b>	<b>2019/20</b> <b>£000's</b>	<b>2020/21</b> <b>£000's</b>	<b>2021/22</b> <b>£000's</b>
<b><u>Funding:</u></b>			
Council Tax	(99,500)	(103,500)	(107,660)
Council Tax Prior Year Collection Fund (Surplus)/Deficit	(1,324)	0	0
Business Rates: Local Share	(147,787)	(150,743)	(153,758)
Business Rates: Tariff Payment	94,590	96,829	99,113
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	(13,291)	(85)	(86)
<b>Funding</b>	<b>(167,312)</b>	<b>(157,499)</b>	<b>(162,391)</b>
<b><u>Movements in Reserves:</u></b>			
Cont. to Budget Support Reserve (from Council Tax Surplus)	174	0	0
Cont. from Budget Support Reserve	(2,798)	(600)	0
Cont. from Bus Rates Smoothing Reserve		(6,700)	
<b>Movements to/(from) Reserves</b>	<b>(2,624)</b>	<b>(7,300)</b>	<b>0</b>
<b>Cumulative Revised Budget Gap</b>	<b>0</b>	<b>15,709</b>	<b>28,516</b>
<b>Annual Revised Budget Gap</b>	<b>0</b>	<b>15,709</b>	<b>12,807</b>

## 6. INVESTMENT STRATEGY

### 6.1 Background

6.1.1 During 2018/19 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.

6.1.2 The updated Asset Investment Strategy was approved by the Executive in October 2018 and based on the latest monitoring position £174.2m has been committed from an original funding pot of £300m. It is proposed to increase this to £400m, supported by prudential borrowing, to support the approach and provide headroom for new investment opportunities which might arise during 2019/20.

6.1.3 The Strategy is operated within MHCLG 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.

6.1.4 During 2018/19 MHCLG formalised its draft guidance in this area and CIPFA are also currently working on updated guidance around the prudential code to further govern local authority investments. The Council will continue to monitor developments in this regard and will review its strategies to ensure that they are fully in compliance with such guidance

### 6.2 Coverage

6.2.1 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)**

## **7. ROBUSTNESS, RISKS & RESERVES**

### **7.1 Robustness and Risks**

7.1.1 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.

7.1.2 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.

7.1.3 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.

7.1.4 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)

### **7.2 Reserves**

7.2.1 Reserves are set aside so that future plans can be afforded or to avoid infrequent or emergency expenditure impacting on the 'normal operational budget. It is a legal requirement to set aside provisions, and a minimum level of generally available reserve and it is best practice to ensure that there are

other sufficient reserves available to meet further needs to ensure an achievable and sustainable budget.

7.2.2 The Council usable reserves at 31st March 2018 stood at £75.01m, of which £43.22m related to Earmarked revenue reserves as shown below along with their projected usage over the 3 year planning period.

<b>Table 11: Usable Reserves</b>	<b>17/18 £m</b>	<b>18/19 £m</b>	<b>19/20 £m</b>	<b>20/21 £m</b>	<b>21/22 £m</b>
Specific	6.82	4.44	3.36	2.16	1.76
Smoothing	9.60	8.84	7.63	7.29	8.77
Business Rates Growth Pilot	6.69	9.19	9.19	2.49	2.49
Budget Support	5.33	4.95	2.32	1.72	1.72
Service C/fwd	4.56	2.23	1.18	0.10	0.10
Investment Fund	4.96	(2.48)	0.00	0.00	0.00
NDR Deficit/Levy	5.26	0.00	0.00	0.00	0.00
<b>Earmarked Reserves</b>	<b>43.22</b>	<b>27.17</b>	<b>23.68</b>	<b>13.76</b>	<b>14.84</b>
General Reserve	6.00	7.00	7.00	7.00	7.00
Capital Related Reserves	17.48	6.27	5.36	2.14	0.00
School Related Reserves	8.31	7.61	7.38	7.38	7.38
<b>Total Usable Reserves</b>	<b>75.01</b>	<b>48.05</b>	<b>43.42</b>	<b>30.28</b>	<b>29.22</b>
Provisions	42.59	42.59	42.59	42.59	42.59
<b>Total Usable Reserves &amp; Provisions</b>	<b>117.60</b>	<b>90.64</b>	<b>86.01</b>	<b>72.87</b>	<b>71.81</b>

7.2.3 General Reserve: the Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure. In February 2018 Council agreed to set the minimum level of the General Fund Reserve at £6.00m as recommended by the Corporate Director of Finance and Systems. It is recommended for 2019/20 that this level be increased by £1.0m to £7.0m largely as a result of the risks from the Asset Investment Strategy and risk on business rate income as explained below:-

- The level of gross income receivable from the Asset Investment Strategy will exceed £8m in 2019/20 and whilst full due diligence has been undertaken for each investment there is still a risk to this income stream. A risk reserve is being built up but until this gets to a meaningful level allowance needs to be included in the general reserve.

- During 2018/19 business rate revenues suffered a small decline as a number of properties were removed from the list. The Council is still including for some significant levels of income in 2019/20 which could be under pressure if this decline in rateable values continues.

<b>Table 12: Advised minimum level of General Reserve</b>	<b>2019/20 £m</b>
Tax & Treasury Management	0.91
Pay & inflation	1.07
Fees and Charges	0.17
Emergency & Disaster Recovery	1.05
Efficiencies	1.60
Demand led budgets	1.00
Other Pressures	0.96
Funding Risk	3.73
<b>TOTAL</b>	<b>10.49</b>
Risk reduction of 34%	-3.49
<b>Advisory level of minimum reserve</b>	<b>7.00</b>

7.2.4 The Council holds other Earmarked reserves to fund both revenue and capital expenditure which are held primarily to fund known future commitments but also act as service contingencies for unexpected events and to cover future risks, which include:

#### Budget Smoothing and Support

- Budget Support: established in 2015/16 to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term. The balance stood at £5.3m at the end of 2017/18 and £385k was used to support the 2018/19 budget, leaving a balance of £4.9m at the end of the current financial year. The reserve will be bolstered in 2019/20 by £0.17m released from the prior year accumulated surplus on the Council Tax Collection Fund. In addition, a drawdown of £2.8m will be made from this reserve to support the budget in 2019/20, leaving £2.3m available for future years.
- Manchester Airport Investments Reserve: This reserve was established in 2015/16 from the surplus income over budget from our shareholder investment in the Manchester Airport Group (MAG). The initial intention of the reserve was to supplement the Budget Support Reserve and a figure of £1.25m was subsequently used to support the 2018/19 budget. The reserve was also bolstered in 2018/19 by £2.04m from the surplus dividend received. The Council is now placing an increased reliance on the range of MAG investments with £7.2m built into the 2019/20 revenue budget. It is intended that the balance of the Reserve be maintained at £2.04m to be used as a cushion against any downturn in the MAG performance, rather than supplementing the Budget Support Reserve.

- Business Rates Growth Pilot and Business Rates Rebate Reserves: both established in 2017/18 to hold the surplus funds generated from the Business Rates Growth Pilot and amounts redistributed from the GMCA. They were designed to cover volatility in the fluctuation of business rates and provide a cushion when the business rates system is reset in 2020/21. The balance on the Growth Pilot and Rebate Reserves at the end of 2017/18 stood at £1.69m and £5.0m respectively. The Growth Pilot Reserve has been increased in 2018/16 by £2.5m following a redistribution of resources from GMCA, leaving an overall estimated balance of £9.2m at the end of the current financial year. It is intended to draw down £6.7m in 2020/21 to part cushion the impact of the full reset of the business rate retention scheme.
- Asset 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, established in 2018/19, will accumulate a sufficient balance over a period of time to absorb these risks

#### Directorate

- Specific: mainly consists of the Insurance Reserve to cover potential future claims as a result of past events, the Employment Rationalisation Reserve for the costs of severance and related costs of structural change over and above the revenue budget provision and Transformation Reserve.
- Smoothing: established to reduce or smooth out volatility in the revenue budget where normal operating expenditure is not always similar year-on-year, mainly to dampen variations to the Waste Levy.
- Service Carry Forward: represents accumulated savings on directorate budgets in previous years. These amounts are anticipated to be utilised to support expenditure on transformational projects.

#### Strategic Priority

- Investment Fund: established in 2016/17 from revising the MRP policy, setting aside £9.93m between the years 2016/17 to 2019/20 and this has been committed to support the strategic investment in Manchester Airport Group in 2018/19 which should deliver a sustainable income stream which will assist in balancing the overall budget.

#### 7.2.5 Statutory or Specific purposes only:

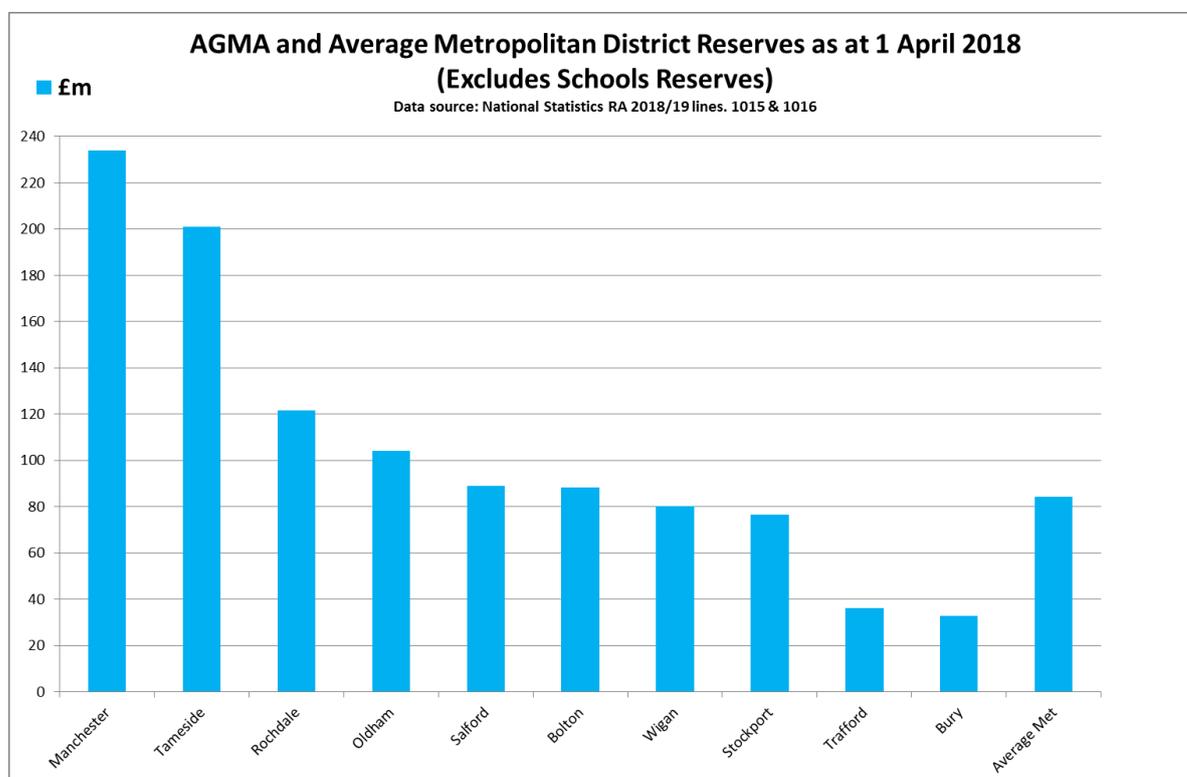
- Capital reserves: consist of capital receipts, grants and contributions which can only be used to fund capital expenditure and are all allocated to support the current capital programme
- Schools reserves: represent the carry forward balances of individual school surpluses & deficits

7.2.6 Balancing the annual budget by drawing on Earmarked reserves may be viewed as a legitimate short-term option but it is not prudent for these

reserves to be deployed to finance recurrent expenditure. Holding these types of reserves is primarily to assist in cushioning the effects of financial shocks and aids resilience. In 2016/17, a Budget Support Reserve was established to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term.

7.2.7 Where possible the strategy has been to bolster reserves in the last couple of years and this has been the case in 2018/19. This approach should act as a cushion for 2020/21 with the introduction of fairer funding and the business rate reset. A review of reserves will be undertaken to rationalise reserves with the objective of identifying approximately £1.8m which is the estimated amount required to cover short term borrowing costs and the commercial impact on Trafford Leisure as a result of the planned investment (Executive report October 2018). Provision has also been made in reserves for short term borrowing costs associated with the phasing of the 2019/22 capital programme to be met from the interest rate smoothing reserve. Also during 2018/19 unused contingency of £0.6m was transferred to a new education high needs reserve which will be utilised during 2019/20 to support the pressure on costs with the High Needs budget.

7.2.8 The level of Reserves the Council holds is in part reflective of the past funding levels of a council in comparison to its need to spend. Holding reserves can assist in cushioning the effects of financial shocks and aid resilience. It should be noted that, as the lowest funded Council in Greater Manchester, Trafford also faces the challenge of having accumulated the second lowest level of earmarked reserves.



**Data source:** National Statistics: Local authority Revenue Account (RA) expenditure and financing England: 2018 to 2019 budget individual local authority data:

### **7.3 Summary**

- 7.3.1 It is worth noting that whilst the 2019/20 budget proposals in the report include provision for £2.8m of support from the Budget Support Reserve, an amount of £4.5m has been added to reserves during 2018/19 (£2m Manchester Airport Dividend Reserve and £2.5m Business Rate Growth Pilot Reserve) to support future budget plans and mitigate the risk of future funding uncertainty.
- 7.3.2 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.
- 7.3.3 Members' attention is drawn to the statement by the Corporate Director of Finance and Systems attached at Annex G, which should be taken into account before approving the budget together with the comments made in paragraphs below.
- 7.3.4 In determining the budget for the forthcoming year there are important decisions about the use of reserves, and given the uncertainty surrounding 2020/21, reserves levels will be increased where possible.
- 7.3.5 The planned use of £2.8m of general reserves to support the budget is a one-off source of funding and therefore the budget gap in 2020/21 increases by this amount.

## 8. SCHOOLS FUNDING & BUDGETS 2019/20

### 8.1 Background

8.1.1 Schools are funded from ring-fenced grants, the most notable of which is the Dedicated Schools Grant (DSG). This funding cannot be used for any other Council function, and essentially schools operate within their own fund with any under or over expenditures being taken forward into future years. The DSG can be divided into four main areas:

- Schools Block (SB) - approximately £163m which essentially funds schools' budgets. This includes £70m for academies. A National Funding Formula (NFF) was introduced in 2018/19. It was intended that there would be a 'soft' formula for 2 years where the NFF is used to set notional budgets for each school which will be aggregated to give the total schools block. After being consulted, Trafford schools and Funding Forum opted to use the NFF rates from 2018/19 and 2019/20. It was the Government's intention that a 'hard' formula be introduced in 2020/21, but this has been delayed for at least a further year.
- Central Schools Services Block (CSSB) – £1.5m. This block reflects the ongoing local authority role in education and is reducing year by year.
- High Needs Block (HNB) – provisional allocation £26m which primarily supports Special Educational Needs (SEN) expenditure. This includes £12m to fund Trafford Special Schools.
- Early Years Block (EYB) - approximately £17m, which funds educational, provision for 2 to 5 year olds in both LEA Schools and Private, Voluntary and Independent (PVI) settings.

8.1.2 DSG allocations for 2019/20 have been announced and whilst a further revision to the 2019/20 figures will be made to reflect the high needs deduction made by the ESFA and an import/export adjustment, at this stage they indicate a £8.51m increase on 2018/19.

<b>Table 13: DSG Allocations</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>Difference £m</b>
Schools Block	155.603	162.829	7.226
Central School Services Block	1.558	1.546	-0.012
High Needs Block	25.028	26.323	1.295
Early Years Block	16.796	16.797	0.001
<b>Total</b>	<b>198.985</b>	<b>207.495</b>	<b>8.510</b>

8.1.3 The increase in the Schools Block represents:-

- Pupil number increases of 171 in the primary sector and 453 in the secondary sector;
- A 1% per pupil increase for each school in 2019/20 through the NFF compared to the 2017/18 baseline;

- The minimum per pupil funding levels have increased to £3,500 for all primary schools and £4,800 for all secondary schools that have pupils in years 10 and 11; and
- The gains cap has increased so that schools can attract gains of up to 6.09% against their 2017/18 baselines (the minimum per pupil levels are not gains capped).

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

- A funding floor which ensures all local authorities will attract at least 1% allocation gains compared to 2017/18 baselines (£499k);
- An increase in special school places (£202k); and
- Additional funding announced in December 2018 (£594k).

8.1.5 Other grants received by schools include Pupil Premium Grant (PPG) of £5m which is intended to bridge the attainment gap for pupils in receipt of free school meals and pupils who are or have been in care. In addition to this there is the Universal Infant Free School Meals Grant £3m, 6<sup>th</sup> Form Funding £1.7m and PE and Sports Grant £1.1m.

## 8.2 Summary Position 2018/19

8.2.1 The latest monitoring position reflected in the period 8 budget monitor indicated a £598k under spend in 2018/19. This is due to the receipt of additional High Needs Block funding received in December 2018 in recognition of the cost pressures that LAs are experiencing.

<b>Table 14: P8 monitoring</b>	<b>2018/19 Budget £m</b>	<b>2018/19 Expected Outturn £m</b>	<b>Difference £m</b>
Schools Block	155.603	154.771	0.832
Central School Services Block	1.558	1.495	0.063
High Needs Block	25.623	26.074	(0.451)
Early Years Block	16.796	16.642	0.154
<b>Total</b>	<b>199.580</b>	<b>198.982</b>	<b>0.598</b>

8.2.2 The level of central DSG reserve at 1 April 2018 was £929k and whilst the majority is ring-fenced to support specific items of expenditure, the balance will be available to support the pressures in the High Needs budget in 2018/19.

<b>Table 15: Analysis of DSG Reserve 2018/19</b>	
	<b>Reserves £</b>
<b>Reserve as at 31<sup>st</sup> March 2018</b>	928,657
<b>Schools Block</b>	
Growth Fund	(77,000)
Primary Targeted	(60,000)
De-delegation	(160,378)
<b>Early Years</b>	(462,675)
<b>Available Reserve</b>	<b>168,604</b>

### 8.3 High Needs Block (HNB)

8.3.1 On 23 July 2018 a report was taken to Executive following consultation with schools which identified a number of measures to help balance the high needs budget in 2018/19. Since 2015/16 the high needs budget has been overspent by £1.827m despite various attempts that have been made to control expenditure. Whilst the Department for Education has protected funding in this area in cash terms, the budget has not been adjusted to reflect:-

- **The rising number of children and young people requiring additional support.** Government figures show there were over 30,000 more children in 2017 with statements or Education, Health and Care (EHC) plans than in the previous year.
- **Greater local authority responsibilities to support young people with SEND**, aged between 16 and 25, following the SEND reforms introduced through the Children and Families Act 2014. There have been significant increases in the number of 16-25 year olds with a statement of SEN or an EHC plan since 2014.
- **A trend towards many more children being placed in special schools.** The number of children in special schools rose by 12.5% between 2014 and 2017.

8.3.2 The funding gap in 2018/19 was £1.241m and has been addressed by a combination of:

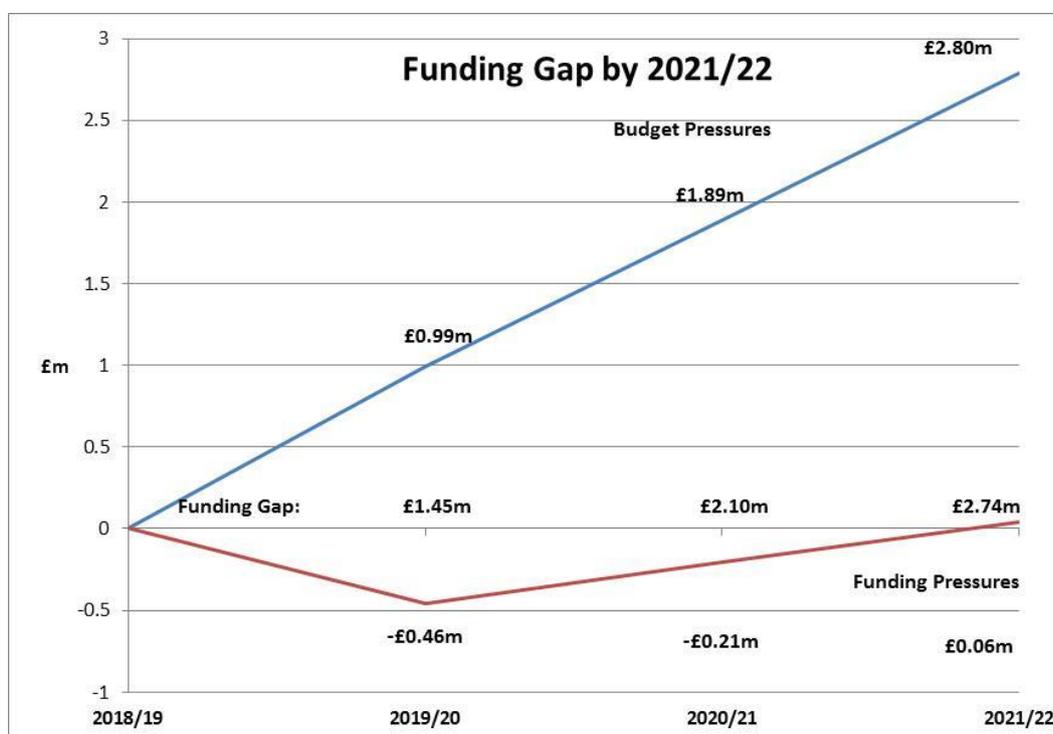
- 0.5% top-slice of the schools block (£778k) as agreed by the Education and Skills Funding Agency (ESFA) equivalent to £21.62 per pupil;
- additional savings proposals totalling £248k; and
- application of reserves £215k.

8.3.3 The use of reserves and the 0.5% top-slice from the schools block are not permanent measures to address the shortfall in 2018/19 and therefore the requirement to make recurrent savings to bridge the gap are carried forward to later years.

8.3.4 A full review of assumptions has been undertaken to identify the funding gap over the period 2019/20 to 2021/22. This has identified a gap of £2.7m by

2021/22, comprising additional expenditure pressures of £2.8m offset by net funding increases over the period of £0.1m. This gap has increased by £0.6m since the draft budget stage due to:-

- Increase cost of out of borough placements caused by increasing complexity (£0.6m). This is because there has been a 13.7% increase in the number of young people with an EHCP since January 2018, there are now 1,813 EHCPs. This is partly due to the extension of the age range to 25 years and is placing significant pressure on the provision of support in borough. There are 29 more young people aged 20 to 25 with an EHCP when compared to June 2018. The figure for the 16 to 19 age group has risen from 306 to 457 in the same period. The rise in the number of young people age 20+ now staying in education is having a big impact on the budget as these young people have the most complex needs and require the highest levels of support and funding.



8.3.5 The main budget assumptions and their financial impact over the period include:-

- 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 (£0.6m)
- Continued increase in the level of SEN delegation payments to schools (1.0m)
- Increased costs of home tuition for those pupils unable to attend school (£0.1m)
- Increased cost of out of borough placements caused by increasing complexity (£0.6m)

- Inflationary cost increases on out of borough placements, pay, running costs of the additional small specialist class and other small adjustments (£0.5m)
- Additional DSG grant of £1.1m, representing a confirmed increase of 2% in 2019/20 and estimated increases of 1.0% in 2020/21 and 2021/22, offset by the reversal of reserves and one-off funds required to support the budget gap in 2018/19 (£1.0m).

8.3.6 A Task & Finish group has been established to look at options to 'bridge the gap' and includes school representatives, parent representatives as well as council education and finance officers.

8.3.7 A further top-slice of 0.5% from the schools block for 2019/20 was approved by Funding Forum in October 2018. This is possibly going to be the final year this can be requested and will afford time to plan any measures effectively to understand the implications on individual schools and service users and other aspects of the Council's budget.

<b>Table 16: Proposal for meeting the budget gap in 2019/20</b>	
	<b>£m</b>
Budget Gap	1.45
Proposed 0.5% Schools Block top-slice	(0.81)
Continuing Savings Programmes from 2018/19	(0.05)
Council Funding	(0.59)
<b>Remaining Gap</b>	<b>Nil</b>

8.3.8 To avoid the need to reduce SEN services and support, the Council will contribute £0.59m to supplement the agreed top slice of the schools block. The proposed financing of the budget in 2019/20 will mean that the additional high needs grant received in 2018/19 and 2019/20 of £1.19m will be able to support any new investment, and supplemented by the SEN capital investment of £0.93m, will mean that the Council is better placed to introduce measures necessary to balance the high needs budget in later years.

8.3.9 An analysis of the 2019/20 budget is as follows:-

<b>Table 17: DSG Allocations &amp; Budget 2019/20</b>	<b>£m</b>	<b>£m</b>
<b>Schools Block Budget</b>		
Allocated to schools	162.829	162.829
<b>High Needs Block Budget</b>		
Special Schools	12.179	
Sensory Impairment	1.172	
Speech Therapy	0.213	
SEN	5.109	
Out of Borough	6.259	
Notional SEN Contingency	0.427	
Behaviour & Attendance	0.336	
PRU's	1.092	
Post 16 FE Colleges	0.130	26.917
<b>Early Years Block Budget</b>	16.797	16.797
<b>Schools Central Services</b>	1.546	1.546
<b>Total 2019/20 Schools Related Budgets</b>		<b>208.089</b>
Schools Block Allocation	162.829	
Schools Central Services Block Allocation	1.546	
High Needs Block Allocation	26.323	
Early Years Block Allocation	16.797	<b>207.495</b>
Council's Contribution		<b>0.594</b>
<b>Total 2019/20 Resourcing</b>		<b>208.089</b>

## 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 2019/20 Council Tax Requirement will be as follows:

LGFA 1992	Calculation of Council Tax Requirement & Relevant Basic Amount of Council Tax 2019/20	£
<b>S 31A(2)</b> (a) – (f)	<b>Gross Expenditure</b> Service expenditure	471,925,344
<b>S 31A(3)</b> (a, c, d)	<b>Gross Income</b> Fees, charges and specific grants Application of Budget Support Reserve (BSR) *	(301,988,839) (2,624,000)
	<b>Budget Requirement (previous regulations)</b>	<b>167,312,505</b>
(b)	Revenue Support Grant	0
(b)	Retained Business Rates Baseline Business Rates (Growth & S31 Grants) Collection Fund surplus (Business Rates)	(53,196,876) (12,110,414) (1,181,215)
(b)	Collection Fund surplus (Council Tax)	(1,324,352)
<b>S 31A(4)</b>	<b>Council Tax Requirement</b>	<b>99,499,648</b>
	<b>Council Tax Base in Band D's</b>	<b>76,999</b>
<b>S 31B</b>	<b>Relevant Basic Amount of Council Tax</b>	<b>£1,292.22</b>

\* This includes a contribution from the BSR of £2.798m adjusted by a contribution to the BSR from the Council Tax Surplus of £0.174m.

9.1.3 The Corporate Director of Finance and Systems in accordance with her delegated powers approved the 2019/20 Trafford Council Tax Base (number of equivalent Band D properties in the borough) on 23 January 2019 at 76,999, which is a growth of 954 Band D equivalents on 2018/19. The 2019/20 Council Tax Base for the four Parish Councils were also approved as: Partington 1,577, Dunham Massey 234, Warburton 166 and Carrington 124.

## 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 2019/20 a figure of 6% has been set, which is a combination of the core principle of 3% and the ‘adult social care precept’ of 3%.
- 9.2.2 In addition in each of the financial years beginning with 2016/17 up to and including 2019/20, the Secretary of State offered authorities with adult social care responsibilities the option of increasing their ‘relevant basic amount’ of council tax by an additional 2% ‘adult social care precept’, to help pay for adult social care costs without breaching the referendum threshold.
- 9.2.3 In recognition of the pressures on adult social care services, within the Provisional 2017/18 Local Government Finance Settlement, the Government announced that adult social care authorities would have the flexibility to increase their ‘adult social care precept’ by up to 3% in each of the three years to 2019/20, but could not exceed 6% in total over the same three year period.
- 9.2.4 As highlighted elsewhere in this report, it is proposed to raise the level of council tax in 2019/20 by 3.99%:
- 2.99% general increase in the ‘relevant basic amount’, and
  - 1% for the ‘Adult Social Care’ precept (compared to the 3% increase in 2017/18 and 2% in 2018/19, giving a total of 6% over the 3 year period 2017/20).
- 9.2.5 The calculation of the percentage change in “Relevant Basic Amount of Council Tax”, for Trafford Services is shown below :

	2018/19	2019/20
Council Tax Base	76,045	76,999
Council Tax Requirement with Levies (£)	94,496,559	99,499,648
Basic Amount of Council Tax (£) (excluding Social Care Precept)	1,163.05	1,200.20
Social Care Precept	79.59	92.02
Relevant Basic Amount of Council Tax	1,242.64	1,292.22
<b>% increase in Relevant Basic Amount of Council Tax</b>	<b>4.99%</b>	<b>3.99%</b>

- 9.2.6 It is proposed to increase the ‘relevant basic amount’ of Council Tax by 3.99%, which is within the 6% figure set by Government in 2019/20 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.
- 9.2.7 Of the two major precepting bodies, the Mayoral Police & Crime Commissioner is recommending a £24.00 increase in their Band D precept

and the Mayoral General Precept (including Fire Services) is proposing an increase of £9.00 on their Band D precept.

- 9.2.8 Partington Town Council, at its meeting on 10 December 2018, elected to keep the level of Band D Council Tax at £42.50, the same as 2018/19. However, Carrington, Dunham Massey and Warburton Parish Councils have all agreed not to set a Precept in 2019/20.

### 9.3 Council Tax Levels and Bandings

- 9.3.1 The overall Precepts and Council Tax levels for 2019/20 for Trafford properties are as follows:

Council Tax per Precepting Body	Precept Amount £	Council Tax per Band D Property £	Council Tax Level Increase
Trafford Services (inclusive of 'Adult Social Care Precept')	99,499,648	1,292.22	3.99%
Mayoral Police and Crime Commissioner (see note)	15,268,902	198.30	£24.00/ 13.77%
Mayoral General Precept (including Fire Services) (see note)	5,925,073	76.95	£9.00/ 13.25%
<b>Total (excluding Parishes)</b>	<b>120,693,623</b>	<b>1,567.47</b>	<b>5.56%</b>
Partington Precept	67,023	42.50	0%
<b>Total for Partington</b>		<b>1,609.97</b>	<b>5.41%</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 15th February 2019.

9.3.3 The council tax for 2019/20, 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>
A	Up to £40,000	1,044.98	1,073.31
B	Over £40,000 and up to £52,000	1,219.14	1,252.20
C	Over £52,000 and up to £68,000	1,393.31	1,431.09
D	Over £68,000 and up to £88,000	1,567.47	1,609.97
E	Over £88,000 and up to £120,000	1,915.80	1,967.74
F	Over £120,000 and up to £160,000	2,264.12	2,325.51
G	Over £160,000 and up to £320,000	2,612.45	2,683.28
H	Over £320,000	3,134.94	3,219.94

## BASE BUDGET ASSUMPTIONS

Base Budget Assumptions	2019/20 £m	2020/21 £m	2021/22 £m
<b>Service Expenditure</b>			
Pay: Inflation	2.0% to 7.3%	2.0%	2.0%
	£1.73	£1.32	£1.33
Pay: Pension Inflation	0.0%	0.5%	0.5%
	£0.00	£0.26	£0.26
Pay: Increments & Pension Auto-Enrolment	£0.06	£0.05	£0.05
Pay: Living Wage	£1.93	£1.57	£1.57
General Inflation: Prices *	0.0%	2.0%	2.0%
	£0.00	£0.28	£0.29
Contractual Obligations: Inflation Specific e.g. energy	£2.09	£1.91	£1.94
Levies: Waste (GMWDA) Levy Increase	£1.36	(£0.66)	(£0.50)
Demographics/Care Costs:	Children	£1.95	£1.00
	Adults	£3.29	£1.50
<b>Treasury Management</b>			
Investment Rates	0.70%	0.99%	1.20%
Debt Rates	2.50%	2.50%	2.50%
<b>Funding</b>			
Council Tax rate increase (Adult Social Care)	1.00%	0.00%	0.00%
Council Tax rate increase (Relevant Basic Amount)	2.99%	2.99%	2.99%
Council Tax base increase	1.25%	1.00%	1.00%
Change in Baseline Funding Level	(8.02)%	1.34%	1.35%
	£(4.63)	£0.72	£0.73

\* General Inflation was assumed at 2%, however this will now be absorbed as part of the proposed budget saving in 2019/20.

**Budget Movements & Proposals: Feb 2018 to Oct 2018**

<b>MOVEMENTS &amp; PROPOSALS</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>Total £000</b>
<b>Budget Gap Before Feb18 Savings &amp; Funding Proposals</b>	<b>10,606</b>	<b>9,129</b>	<b>0</b>	<b>19,735</b>
Impact of loss of Transformation Funding	0	3,257	0	3,257
Pay Award +1% to 2% (previously assumed 1%)	0	730	1,671	2,401
Demographic Pressures Children's Services	500	500	2,500	3,500
Changes to Waste Levy Assumptions and Mandatory Recycling	203	152	507	862
TTH contribution to lifecycle replacement	116	0	0	116
Contractual Obligations and Inflation	281	199	2,227	2,707
Living Wage assumptions and re-phasing	200	(74)	1,572	1,698
Release of Council Tax Surplus to Budget Support Reserve	600	(600)	0	0
Additional cost of new pay structure	345	0	0	345
Waterside Arts Centre	100	0	0	100
Housing Benefit Overpayment Recovery (17/18 saving ending)	300	0	0	300
0.5% Pension saving assumed to stop in 19/20	350	0	0	350
Other changes in Budget Assumptions	483	(9)	70	544
<b>CHANGES TO BUDGET ASSUMPTIONS</b>	<b>3,478</b>	<b>4,155</b>	<b>8,547</b>	<b>16,180</b>
Additional Business Rates Growth 17/18 Released in 19/20	(1,181)	1,181	0	0
Increase in Council Tax Base (number of properties)	0	0	(501)	(501)
Increase in growth in Council Tax Base to 1% (previously 0.5%)	(491)	(527)	(571)	(1,589)
Release of Prior Year Council Tax Surplus	(600)	600	0	0
Changes in Bus Rate Assumptions (including Reset)	283	7,995	(731)	7,547
<b>CHANGES TO FUNDING (NON POLICY CHOICE)</b>	<b>(1,989)</b>	<b>9,249</b>	<b>(1,803)</b>	<b>5,457</b>

<b>MOVEMENTS &amp; PROPOSALS</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>Total £000</b>
Reinstate Adult Social Care Precept increase 1%	(950)	0	0	(950)
General Increase in basic Council Tax to 2.99%	(2,839)	(2,973)	(3,080)	(8,892)
Contribution from Budget Support/ Business Rate Smoothing Reserves	0	(7,300)	7,300	0
<b>CHANGES TO FUNDING (POLICY CHOICE)</b>	<b>(3,789)</b>	<b>(10,273)</b>	<b>4,220</b>	<b>(9,842)</b>
Additional income Green Waste Charges	(395)			(395)
CCTV New Trading Model	(15)			(15)
Strategic Investment Income	(214)			(214)
Net Income from Invest Props	871	(150)		721
<b>Existing Income Proposals Feb 17</b>	<b>247</b>	<b>(150)</b>		<b>97</b>
Net Income from Invest Props (identified)	(1,500)	(400)	1,900	0
Increase in Strategic Investment Income	(1,500)	(500)		(2,000)
Review of Car Parking charges	(84)	(73)		(157)
Environmental Health - Increase Fee Income (various)	(27)	(5)	(5)	(37)
Licensing - knowledge test charge	(20)			(20)
<b>Total New Income Proposals Oct 2018</b>	<b>(3,131)</b>	<b>(978)</b>	<b>1,895</b>	<b>(2,214)</b>
<b>INCOME PROPOSALS (Oct 18)</b>	<b>(2,884)</b>	<b>(1,128)</b>	<b>1,895</b>	<b>(2,117)</b>
Mandatory Recycling	(161)			(161)
Early Repayment of Suppliers Discount	(50)	(100)		(150)
<b>Total Existing Saving Proposals (updated Oct 18)</b>	<b>(211)</b>	<b>(100)</b>	<b>0</b>	<b>(311)</b>
Reduction in Insurance costs	(50)			(50)
Reduction in External Children's Home Use (4 children from OOB to in-house provision)	(371)			(371)
Creation of New Post 16 Accommodation (increasing internal provision)	(202)			(202)
Let's Talk	(160)			(160)
Right Care For You	(200)			(200)
Adults Re-assessments	(200)			(200)
Development Management (Planning Performance Agreements - cost recovery)	(35)			(35)

<b>MOVEMENTS &amp; PROPOSALS</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>Total £000</b>
Strategic Planning - Remove Greenspace funding contingency budget	(40)			(40)
Allotment Services - removal of subsidy	(20)			(20)
Environmental Health - Reduce budget of dog warden service	(5)			(5)
Customer Services - reduce contact centre opening hours	(21)			(21)
Legal - CCG legal costs	(10)			(10)
Legal - appoint litigation solicitor/reduce external costs	(20)			(20)
Housing Strategy - reduce running costs	(10)			(10)
Partnerships - use of smoothing reserve - one off	(100)	100		0
New Strategic Investment			(250)	(250)
STAR contribution	(36)			(36)
Reinstate saving GMPF Reduced Allowance for Early Retirements	(350)			(350)
Advance Pension Payment		(757)		(757)
Remove General Inflation provision	(218)			(218)
Reduce General Contingency	(600)			(600)
Debt Restructure savings	(200)			(200)
<b>Total New Savings Proposals Oct 18</b>	<b>(2,848)</b>	<b>(657)</b>	<b>(250)</b>	<b>(3,755)</b>
<b>SAVING PROPOSALS (Oct 18)</b>	<b>(3,059)</b>	<b>(757)</b>	<b>(250)</b>	<b>(4,066)</b>
<b>TOTAL INCOME AND SAVINGS PROPOSALS</b>	<b>(5,943)</b>	<b>(1,885)</b>	<b>1,645</b>	<b>(6,183)</b>
<b>REVISED BUDGET GAP AT DRAFT (Oct18)</b>	<b>2,363</b>	<b>10,375</b>	<b>12,609</b>	<b>25,347</b>

## 2019/20 Movements Between Draft Budget (Oct 2018) & Final (Feb 2019)

<b>MOVEMENTS &amp; PROPOSALS</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>Total £000</b>
<b>REVISED BUDGET GAP AT DRAFT (Oct18)</b>	<b>2,363</b>	<b>10,375</b>	<b>12,609</b>	<b>25,347</b>
Reversal of one off saving from Housing Benefit Reserve	0	400	0	400
Increase in New Homes Bonus	(355)	0	0	(355)
Additional resource £946k and cost Winter Pressures (grant and exp. net nil) shown for completeness	0	0	0	0
Additional Resource for social care pressures (to avoid impact on NHS)	(1,616)	0	0	(1,616)
Budget pressures Children's Services (Children's Placements)	1,014	0	0	1,014
Budget pressures Children's Services (Home to School Trans)	550	0	0	550
Budget pressures Adult Services	1,504	0	0	1,504
Increase in borrowing costs Cap Programme 19/20	200	0	0	200
Changes to Waste Levy Assumptions	(105)	300	0	195
Removal of Green Waste Charge (loss of Prior year income/ increase Levy)	1,405	0	0	1,405
Transfer Council Tax Surplus to Budget Support Reserve	(426)	426	0	0
Changes to Transport Levy	(421)	421	0	0
Additional contingency for public health and wellbeing	1,000	0	0	1,000
Move to Microsoft Office 360	250	0	0	250
STAR contribution reduce savings from 19/20		18		18
Sale Waterpark	100			100
Child in Need POC	74			74
SEND Grant ending	140			140
Further re-phasing of Regent Road Car Park delay	100	(100)		0
Re-phasing of Regent Road Car Park, delay in rates	(7)	7		0
<b>CHANGES TO BUDGET ASSUMPTIONS</b>	<b>3,407</b>	<b>1,472</b>	<b>0</b>	<b>4,879</b>

<b>MOVEMENTS &amp; PROPOSALS</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>Total £000</b>
Increase in Council Tax Base further 0.25% to 1.25%	(251)	(11)	(8)	(270)
Additional release of accumulated Council Tax Surplus	(424)	424	0	0
Changes in Bus Rate Assumptions (inc. Reset)	(1,385)	1,280	(1)	(106)
<b>CHANGES TO FUNDING (NON POLICY CHOICE)</b>	<b>(2,060)</b>	<b>1,693</b>	<b>(9)</b>	<b>(376)</b>
Contribution from Budget Support/ Business Rate Smoothing Reserves	(2,798)	2,798	0	0
<b>CHANGES TO FUNDING (POLICY CHOICE)</b>	<b>(2,798)</b>	<b>2,798</b>	<b>0</b>	<b>0</b>
Property Investment Strategy	(585)	281	34	(270)
MAG Loan Investment Income	(200)	0	183	(17)
Remove Expected Additional Income from Green Waste	395	0	0	395
<b>CHANGES TO INCOME PROPOSALS</b>	<b>(390)</b>	<b>281</b>	<b>217</b>	<b>108</b>
Savings in Public Health	0	(1,000)	0	(1,000)
Housing Ben Overpayment recovery	(400)	0	0	(400)
Realignment of AGMA Levy Budgets	(154)	0	0	(154)
Reduce savings Early Repayment of Suppliers Discount	40	90	(10)	120
Treasury Management Savings (LOBO Loan)	(100)	0	0	(100)
GMFP Reduced Allowance for Early Retirements (Reduce reinstated savings)	122	0	0	122
Members Telephony	(30)	0	0	(30)
<b>CHANGES TO SAVING PROPOSALS</b>	<b>(522)</b>	<b>(910)</b>	<b>(10)</b>	<b>(1,442)</b>
<b>TOTAL CHANGES TO INCOME AND SAVINGS PROPOSALS</b>	<b>(912)</b>	<b>(629)</b>	<b>207</b>	<b>(1,334)</b>
<b>REVISED BUDGET GAP (Feb 19)</b>	<b>0</b>	<b>15,709</b>	<b>12,807</b>	<b>28,516</b>

**Business Rates Retention GM Pilot**
**Annex C**
**Business Rates Benefit Calculation 2018/2019 to 2021/2022**

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Gross Rates Payable	182,565,243	184,114,380	187,864,164	191,613,948
Transitional Adjustments and Mandatory & Discretionary Reliefs	(15,865,758)	(18,530,213)	(18,900,818)	(19,278,834)
<b>NET RATES PAYABLE</b>	<b>166,699,485</b>	<b>165,584,167</b>	<b>168,963,346</b>	<b>172,335,114</b>
Accounting Adjustments (Appeals & BDP) & Cost of Collection	(12,636,373)	(10,028,942)	(13,017,142)	(13,277,073)
<b>NNDR Income</b>	<b>154,063,112</b>	<b>155,555,225</b>	<b>155,946,205</b>	<b>159,058,041</b>
Local Share	152,522,481	153,999,672	154,386,743	157,467,460
Tariff	(87,609,184)	(94,589,988)	(96,829,040)	(99,112,873)
<b>Retained Business Rates</b>	<b>64,913,297</b>	<b>59,409,684</b>	<b>57,557,703</b>	<b>58,354,587</b>
<b>Baseline Funding Level (BFL)</b>	<b>57,725,323</b>	<b>53,196,876</b>	<b>53,913,561</b>	<b>54,644,581</b>
Growth	7,187,974	6,212,808	3,644,142	3,710,006
SAICA Renewable Energy	80,952	81,648	83,281	84,947
Section 31 Compensation Grants	7,299,896	10,501,619	10,232,110	10,383,731
National Levy Rebate		549,761	0	
<b>Growth/(Decline) to Baseline</b>	<b>14,568,822</b>	<b>17,345,836</b>	<b>13,959,533</b>	<b>14,178,684</b>
GM Pilot 'No Detriment' Over Payment	(9,348,524)	(10,470,846)	(8,634,565)	(8,776,710)
GM Pilot 'No Detriment' Over Payment Rebate	4,674,262	5,235,423	4,317,282	4,388,355
<b>Business Rates Benefit over BFL</b>	<b>9,894,560</b>	<b>12,110,413</b>	<b>9,642,250</b>	<b>9,790,329</b>
Release of Prior Year Surplus *		1,181,215		
Business Rates Growth Reset			(9,557,697)	(9,704,086)
<b>Business Rates Benefit</b>	<b>9,894,560</b>	<b>13,291,628</b>	<b>84,553</b>	<b>86,243</b>

\* Excludes the collection of the 2018/19 estimated deficit and reserve contribution as detailed in paragraph 3.2.2.

**Total Benefit from Business Rates**

	2018/19 £000	2019/20 £	2020/21 £	2021/22 £
Core Baseline Funding	35,031,470	35,834,275	36,550,960	37,281,979
Revenue Support Grant	10,302,853	5,298,601	5,298,601	5,298,601
Public Health Grant	12,391,000	12,064,000	12,064,000	12,064,000
<b>Total Baseline Funding Level</b>	<b>57,725,323</b>	<b>53,196,876</b>	<b>53,913,561</b>	<b>54,644,580</b>
<b>Business Rates Benefit</b>	<b>9,894,560</b>	<b>13,291,628</b>	<b>84,553</b>	<b>86,243</b>
<b>Total Benefit PLUS Baseline Funding</b>	<b>67,619,883</b>	<b>66,488,504</b>	<b>53,998,114</b>	<b>54,730,823</b>
<b>Yearly Change</b>				
Change in BFL		(4,528,447)	716,685	731,019
Change in Business Rates Benefit		3,397,068	(13,207,075)	1,690
<b>Yearly Change</b>		<b>(1,131,379)</b>	<b>(12,490,390)</b>	<b>732,709</b>

Total reduction in Business Rates -£1.13m-£12.49m+£0.73m = -£12.89m

## Income Proposals 2019/22

Priority	Service Area	Description of Saving	2019/20 £000's	2020/21 £000's	2021/22 £000's	Impact of Saving (e.g. service, equality, other)
	PLACE	Review of Car Parking charges	(84)	(73)		Review of fees from April 2019 - 50p half hour, £1 up to 2 hours, £2 up to 4 hours, £4 up to 5 hours, £5 over 5 hours. Extension of charging times to 8pm from April 2020 (subject to consultation).
	PLACE	Environmental Health - Increase Fee Income (various)	(27)	(5)	(5)	Income already being received above current budget – e.g. HMO licences, costs recoverable from third parties.
	PLACE	Licensing – taxi knowledge test charge	(20)			New charges to be introduced for the recently agreed changes to the new driver application process. All new applicants will need to pass a knowledge test.
	CENTRAL	CCTV New Trading Model	(15)			On-going saving from 2017/18. Relates to the trading of CCTV services to generate income.
£	CW	Manchester Airport Group (MAG) Core Shareholder Investment	(1,500)	(500)		Additional airport dividend reflecting growth in dividend payments received in last three years.
£	CW	Asset Investment Strategy	(1,214)	(269)	1,934	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.

Priority	Service Area	Description of Saving	2019/20 £000's	2020/21 £000's	2021/22 £000's	Impact of Saving (e.g. service, equality, other)
£	CW	Strategic Investments	(414)		(67)	Loan interest receivable from strategic investments in the expansion of Manchester Airport.
<b>Total Income Proposals</b>			<b>(3,274)</b>	<b>(847)</b>	<b>1,862</b>	

## Savings Proposals 2019/22

Priority	Service Area	Description of Saving	2019/20 £000's	2020/21 £000's	2021/22 £000's	Impact of Saving (e.g. service, equality, other)
	CHILDREN	Reduction in External Children's Home Use (4 children from OOB to in-house provision)	(371)			Children currently placed outside of the borough of Trafford will be moved closer to home and into provision in a family setting.
	CHILDREN	Creation of New Post 16 Accommodation (increasing internal provision)	(202)			Children will be placed closer to home enabling existing relationships to continue, disruption of relocation to unfamiliar settings will be avoided.
	CHILDREN	Remove General Inflation provision	(22)			Any increase in costs to be managed within existing budgets.
	ADULTS	Right Care For You	(200)			The project will reduce the demand for homecare hours within the borough through the use of specialised equipment.
	ADULTS	Adults Re-assessments	(200)			Care packages will be reassessed to ensure that provision is at optimum levels.
	ADULTS	Let's Talk	(160)			As a result of a culture change effecting service delivery, some care packages are to be avoided with client wishes to be at the forefront of Social Care decision making.
	ADULTS	Remove General Inflation provision	(9)			Any increase in costs to be managed within existing budgets.
	Public Health	Review of Public Health budgets		(1,000)		A review of PH related commissioning budgets in order to align with PH resource allocations.

Priority	Service Area	Description of Saving	2019/20 £000's	2020/21 £000's	2021/22 £000's	Impact of Saving (e.g. service, equality, other)
✓	PLACE	Increased Recycling of Waste	(161)			Part of the ongoing programme to reduce waste disposal costs through increased recycling. This will be achieved through a range of initiatives, such as targeting food waste recycling, recycling levels of flats/houses of multiple occupation, improving education/awareness and, where necessary, stricter enforcement.
	PLACE	Strategic Planning - Remove Greenspace funding contingency budget	(40)			Contingency for failed funding bids not been required in recent years and can be removed.
£	PLACE	Development Management (Planning Performance Agreements - cost recovery)	(35)			Review of discretionary fees to achieve full cost recovery.
	PLACE	Allotment Services - removal of subsidy	(20)			Service has recovered its costs from income in recent years through improved efficiency and Council subsidy is no longer required.
	PLACE	Housing Strategy - reduce running costs	(10)			Minor running cost budgets can be reduced based on current spend levels.
✓	PLACE	Environmental Health - Reduce budget of dog warden service	(5)			Spend has been below budget in recent years.
£	PLACE	Remove General Inflation provision	(68)			Any increase in costs to be managed within existing budgets.
£	CENTRAL	Use of smoothing reserve - one off	(100)	100		Reserves already held can be utilised as a one-off in 19/20 to release base budget.

Priority	Service Area	Description of Saving	2019/20 £000's	2020/21 £000's	2021/22 £000's	Impact of Saving (e.g. service, equality, other)
£	CENTRAL	STAR Procurement contribution	(36)			Due to the growth of a successful procurement collaboration with Stockport, Tameside and Rochdale Councils.
£	CENTRAL	Legal - appoint litigation solicitor/reduce external costs	(20)			Appoint additional internal staff to reduce reliance on and costs of external providers
£	CENTRAL	Customer Services - reduce contact centre opening hours	(21)			Contact centre hours reduced from 8am - 7pm to 8.30am – 5.30pm. This is in line with most of GM.
£	CENTRAL	Legal - CCG legal costs	(10)			Recovery of legal costs from CCG
£	CENTRAL	Remove General Inflation provision	(117)			Any increase in costs to be managed within existing budgets.
£	CW	Reduce General Contingency	(600)			Review of Contingency budget requirements.
£	CW	Housing Benefit Overpayment recovery	(400)			New target set for the recovery of housing benefit overpayments.
£	CW	Reinstate saving GMPF Reduced Allowance for Early Retirements	(228)			Reduction of the risk reserve held with the pension fund as a result of fewer planned redundancies.
£	CW	Debt Restructure savings	(300)			Debt savings generated from replacing a £20m Lender Option Borrower Option (LOBO) high rated debt with low rated Public Works Loan Board (PWLB) debt in 2018/19 generating a net saving after costs.
£	CW	Re-alignment of AGMA budgets	(154)			Re-alignment of AGMA budget contributions across services has identified surplus over requirements.
£	CW	Reduction in Insurance costs	(50)			Reduction in Insurance budget to reflect lower Provision required following latest Underwriters report.
£	CW	Members telephony budget	(30)			Budget saving as new technology and competition drives costs down.

Priority	Service Area	Description of Saving	2019/20 £000's	2020/21 £000's	2021/22 £000's	Impact of Saving (e.g. service, equality, other)
£	CW	Early Repayment of Suppliers Discount	(10)	(10)	(10)	Review of Accounts Payable processes to maximise potential supplier discounts.
£	CW	Advance Pension Payment		(757)		Three years advance payment of pension contributions to achieve efficiency saving.
£	CW	Remove General Inflation provision	(2)			Any increase in costs to be managed within existing budgets.
<b>Total Savings Proposals</b>			<b>(3,581)</b>	<b>(1,667)</b>	<b>(10)</b>	
<b>Total Income and Savings Proposals</b>			<b>(6,855)</b>	<b>(2,514)</b>	<b>1,852</b>	

## 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

## 2019/20 Subjective Budget Analysis

	CHILDREN & ADULTS £000's	PLACE £000's	CENTRAL £000's	COUNCIL- WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
<b>NET BUDGET Brought Forward</b>	<b>92,607</b>	<b>23,843</b>	<b>17,101</b>	<b>30,694</b>	<b>0</b>	<b>164,245</b>
<u>Budget Pressures :</u>						
Pay	722	136	732	241		<b>1,831</b>
Living Wage	1,605	50	274	0		<b>1,929</b>
General Inflation	31	68	117	2		<b>218</b>
Contractual Inflation & Obligations	1,165	807	145	0		<b>2,117</b>
Levies	0	8,527	0	(7,167)		<b>1,360</b>
Demographics/ Care Costs	5,235	0	0	0		<b>5,235</b>
Grants, Legislative & Service Transfers	(4,295)	0	0	(779)		<b>(5,074)</b>
Loss of Income	0	55	0	0		<b>55</b>
Treasury Management	0	0	0	(220)		<b>(220)</b>
Policy Choice Investment	0	0	0	0		<b>0</b>
Other	762	1,781	404	2,148		<b>5,095</b>
<b>Total Budget Pressures</b>	<b>5,225</b>	<b>11,424</b>	<b>1,672</b>	<b>(5,775)</b>		<b>12,546</b>
<u>Budget Savings</u>						
Income Generation	0	(131)	(15)	(3,128)		<b>(3,274)</b>
Savings Proposals, Efficiencies & Policy Choice	(1,164)	(339)	(304)	(1,774)		<b>(3,581)</b>
<b>Total Approved Budget Proposals</b>	<b>(1,164)</b>	<b>(470)</b>	<b>(319)</b>	<b>(4,902)</b>		<b>(6,855)</b>
<b>PROPOSED NET BUDGET</b>	<b>96,668</b>	<b>34,797</b>	<b>18,454</b>	<b>20,017</b>	<b>0</b>	<b>169,936</b>
<u>Funding:</u>						
Council Tax					(95,682)	<b>(95,682)</b>
Council Tax - 2.99% General Increase					(2,861)	<b>(2,861)</b>
Council Tax - 2% Adult Social Care Increase					(957)	<b>(957)</b>
C Tax Prior Year Collection Fund (Surplus)/Deficit					(1,324)	<b>(1,324)</b>
Business Rates: Local Share					(147,787)	<b>(147,787)</b>
Business Rates: Tariff Payment					94,590	<b>94,590</b>
Business Rates: Growth Assumptions, S31 Grants, GM Pilot					(13,291)	<b>(13,291)</b>
<b>Funding Total</b>					<b>(167,312)</b>	<b>(167,312)</b>
<b>PROPOSED FUNDING</b>					<b>(167,312)</b>	<b>(167,312)</b>
<u>Additional Use of Reserves:</u>						
Budget Support Reserve					(2,624)	<b>(2,624)</b>
<b>Movement in Reserves Total</b>					<b>(2,624)</b>	<b>(2,624)</b>
<b>FUNDING FROM RESERVES</b>					<b>(2,624)</b>	<b>(2,624)</b>
<b>BUDGET GAP</b>						<b>0</b>

## 2019/20 Objective (Service) Budget Analysis

DIRECTORATE	SERVICE EXPENDITURE ANALYSIS	Net Budget 2018/19 £000's	Proposed Net Budget 2019/20 £000's
Children's Service	Children with Complex and Additional Needs	1,166	1,486
Children's Service	Commissioning	1,589	1,615
Children's Service	Children's Social Services	21,929	23,701
Children's Service	Education and Early Years' Service	5,171	6,123
Children's Service	Early Help	571	602
Children's Service	Safeguarding and Front door	1,697	1,721
Children's Service	Youth Offending Service	170	179
Children's Service	DSG	0	0
<b>Children's Service</b>	<b>Sub-Total</b>	<b>32,293</b>	<b>35,427</b>
Adults Service	Client Costs	44,177	49,043
Adults Service	BCF and Other grants	(8,987)	(13,617)
Adults Service	Assistive Equipment and Technology	990	1,075
Adults Service	Social Care Activities - Care Management	10,138	10,584
Adults Service	Commissioning and service delivery	1,755	1,916
Adults Service	Public Health	12,240	12,240
<b>Adults Service (incl. Public Health)</b>	<b>Sub-Total</b>	<b>60,313</b>	<b>61,241</b>
Place - Environmental, Technical & Property Services	One Trafford Partnership	12,945	15,161
Place - Environmental, Technical & Property Services	Street Lighting Energy	766	839
Place - Environmental, Technical & Property Services	Media Advertising	(817)	(816)
Place - Environmental, Technical & Property Services	Waste Disposal Levy	8,342	16,808
Place - Environmental, Technical & Property Services	Strategic Management	515	522
Place - Economic Growth & Planning	Economic Growth & Planning	1,551	1,621
Place - Economic Growth & Planning	Public Protection & Enforcement	913	918
Place - Economic Growth & Planning	Parking Services	(1,118)	(1,099)
Place - Economic Growth & Planning	Strategic Support Services	746	843
<b>Place</b>	<b>Sub-Total</b>	<b>23,843</b>	<b>34,797</b>

<b>DIRECTORATE</b>	<b>SERVICE EXPENDITURE ANALYSIS</b>	<b>Net Budget 2018/19 £000's</b>	<b>Proposed Net Budget 2019/20 £000's</b>
Governance and Community Strategy	Legal & Democratic Services	2,799	2,878
Governance and Community Strategy	Access Trafford	2,848	2,908
Governance and Community Strategy	Partnerships and Communities	1,495	1,409
Governance and Community Strategy	Culture and Sport incl. Waterside Arts Centre	587	696
Governance and Community Strategy	Directorate Wide Efficiency - G&CS	(260)	(189)
<b>Governance and Community Strategy</b>	<b>Sub-Total</b>	<b>7,469</b>	<b>7,702</b>
Finance and Systems	Finance Services	5,065	5,221
Finance and Systems	ICT Services	2,172	2,499
Finance and Systems	Transformation	0	0
Finance and Systems	Directorate Wide Efficiency -F&S	(283)	(206)
<b>Finance and Systems</b>	<b>Sub-Total</b>	<b>6,954</b>	<b>7,514</b>
People and Traded Services	Human Resources	2,339	2,413
People and Traded Services	Communications	265	291
People and Traded Services	Executive	312	313
People and Traded Services	School Crossing Patrols	406	490
People and Traded Services	Bereavement Services	(740)	(732)
People and Traded Services	Catering & Cleaning Traded Services	162	403
People and Traded Services	Music Service	126	188
People and Traded Services	Directorate Wide Efficiency - People	(190)	(128)
<b>People and Traded Services</b>	<b>Sub-Total</b>	<b>2,680</b>	<b>3,238</b>
<b>TOTAL SERVICE BUDGETS</b>		<b>133,552</b>	<b>149,919</b>

<b>DIRECTORATE</b>	<b>SERVICE EXPENDITURE ANALYSIS</b>	<b>Net Budget 2018/19 £000's</b>	<b>Proposed Net Budget 2019/20 £000's</b>
Council-Wide Service	Transport Levy	23,656	15,788
Council-Wide Service	Flood Defence	143	146
Council-Wide Service	Coroner's & Mortuary	684	744
Council-Wide Service	AGMA/ Other	15	341
Council-Wide Service	Contingencies, Provisions and Corporate savings	3,609	4,573
Council-Wide Service	Interest Receivable (incl. Airport Dividend)	(4,406)	(6,193)
Council-Wide Service	Loan Debt (principal and interest)	7,445	6,546
Council-Wide Service	Property Investment Fund	(1,198)	(2,411)
Council-Wide Service	Insurance	803	753
Council-Wide Service	Members Expenses	868	854
Council-Wide Service	Other Centrally held budgets	1,304	1,194
Council-Wide Service	Central Grants	(2,229)	(2,318)
<b>Council-wide Budgets</b>	<b>Sub-Total</b>	<b>30,694</b>	<b>20,017</b>
<b>PROPOSED NET BUDGET</b>		<b>164,246</b>	<b>169,936</b>

**REPORT of the CORPORATE DIRECTOR OF FINANCE AND SYSTEMS  
to the COUNCIL 20 FEBRUARY 2019**

**ROBUSTNESS of the 2019/20 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 7.

**2. BACKGROUND**

- 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 2018/19 budget monitoring process and planning process review have been addressed in the 2019/20 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 Finance Managers.
- 2.3 All budget managers have been requested to agree their budget working papers and are therefore aware of their proposed budget for 2019/20, 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 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 2019/20 and 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 that they reasonably allow for a degree of error. Risks can be mitigated through a variety of management actions and the Corporate Leadership Team 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. 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. Following the introduction of the Asset Investment Strategy and the increasing levels of gross income receivable, coupled with some erosion of the business rate baseline I propose an increase to the minimum level of general reserve to cover for unforeseen circumstances from £6.0m in 2018/19 to £7.0m in 2019/20.
- 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 2020/21 given the expected reset of the business rate retention scheme baselines and implementation of fairer funding.
- The scale of savings required, in particular the CFW 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 actions continues to provide a secure source of income to support the revenue budget and remains proportionate. The returns can be quite volatile as witnessed during 2018/19 when a significant investment opportunity fell through at the last minute;
  - The Council could face legal challenge in relation to 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 could be significant;
  - The uncertainty that exists on demand led services, particularly in adults and children's social care which continue to pose the biggest threat to the Council's budget in the future and significant new investment has been incorporated into the 2019/20 budget plans to reflect the latest demand pressures. Government has promised to release a green paper on the future funding of these services and this is eagerly awaited;
  - There is also risk with regard to the ability of the external care market to provide sufficient capacity at the right price to support our growing care needs;
  - There is significant reliance on business rates growth to support its spending plans in 2019/20 and there are still a large volume of unsettled business rate appeals where the Council carries a major risk, albeit a provision has been included in the accounts;
  - There continue to be ongoing consultations on the overall schools budget, particularly measures required to control spending in the high needs area;
- 2.8 MHCLG are currently consulting on proposals for a full reset of the business rates retention baselines and a review of local government relative needs and resources; both of which are contributing to the significant budget gap for 2020/21. Since the introduction of the business rate retention scheme in 2013/14 the Council has become increasingly reliant on the growth in business rates as a sustainable

revenue stream. A full reset could see the Council lose funding of £12.5m in 2020/21, a figure which is currently built into the MTFP projections.

2.9 The decisions in this report still leave a budget gap of £15.7m in 2020/21. It is unlikely that any indicative funding figures will be made available by Government until late summer or early autumn 2019 which will make financial planning difficult for 2020/21 but a number of potential mitigating factors exist:-

- Government are currently consulting on transitional arrangements which, whilst these will unwind over a period of time, could protect the Council from a sudden and significant fall in resources.
- The Council's current budget contains a modest level of discretionary services which will be reviewed during 2019 as well as fees and charges
- Comprehensive Spending Review and the social care green paper could both signal the trajectory of funding in future years and specifically funding for social care.
- Population growth in Trafford is projected to rise faster than the national average which whilst meaning the pressure on Council services could increase is likely to mean improved levels of Government funding through the new formula which has a strong bias toward population rather than deprivation.

2.10 The Council will continue to give priority to bolstering its overall reserve position during the remainder of 2018/19 and 2019/20 to provide a further safety net as possible. Also a number of specific reserves will be created, following a review of all reserves, to support the significant levels of planned investment in leisure centres in the next couple of years. In addition given the increasing assumptions in respect of the investment income to be received from Manchester Airport Group a specific reserve has been established during 2018/19 in the event actual income is different to forecast.

2.11 In terms of its capital programme there continue to be pressures in realising a level of capital receipts that is sufficient enough to protect the asset base. A new approach to delivering regeneration will commence during 2019/20 which will see the Council develop surplus sites itself rather than adopting the historic approach of outright sale to developers in an attempt to maximise the value obtained from surplus assets. This could lead to an element of short term borrowing until receipts are realised and the cost of this borrowing will be included as a commitment within specific reserves.

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. During 2018/19 a couple of maintained primary schools converted to sponsored academy status following Ofsted reviews which concluded the schools were requiring improvement. In these cases the Council has the responsibility to ensure it does not encumber the sponsor with a financial deficit, if they exist. This overall position is monitored and in the event of future transfers of this nature a specific reserve is maintained.

2.13 The High Needs budget within the DSG is under extreme pressure resulting in the unprecedented increase in the number of education, health and care plans. A task and finish group has been established to review this position and to consider ways to alleviate the financial pressure on the budget. This has been mitigated to some extent with additional funding from the ESFA, together with an agreed top-slice of school budgets and supplemented by a one-off contribution from the Council for 2019/20. This means that more time is afforded to make sure that, in the event that future savings need to be made, adequate consultation can be undertaken with all stakeholders.

### **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:

- Increase budget provision within Children and Adults Social Care demography;
- 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 2019/20 to move towards bringing Public Health expenditure back within the Public Health allocated resources by 2020/21. For 2019/20 the Council has not passed the cut in funding through to the Public Health budget and additional contingency has been included in the central budgets to allow for the risk of an in year overspend on Public Health.
- A number of ICT software licence arrangements will need to be reviewed during 2019/20 and additional budget provision has been made for these.
- The overall council tax-base has been reviewed to reflect the new projected costs of the council tax support scheme following a consultation during 2018.
- The establishment of a MAG Investment reserve to cushion the impact of any discrepancies between budgeted and actual return on investments. Also the addition to the business rate smoothing reserve and SEN high needs reserve (DSG) following receipts of additional income in 2018/19.
- Continuation of the Budget Support Reserve, to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term. A drawdown of £2.8m is required to support the budget in 2019/20 leaving £2.3m available for future years;
- Increase in waste levy budget to reflect the updated forecasts from the Waste Disposal Authority and corresponding change to the transport levy;

### **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, an increase of £1m on the level set for 2018/19.

## Annex H

### OUTLINE OF 2019/20 FUNDING FORMULA RECOMMENDED BY SCHOOL FUNDING FORUM

	Description	Amount per pupil		Pupil Units		Sub Total	Total
	Primary (Years R-6)	£2,740.60		21,003.00		£57,560,822	
	Key Stage 3 (Years 7-9)	£3,862.57		9,730.00		£37,582,806	<b>£120,973,574</b>
	Key Stage 4 (Years 10-11)	£4,388.37		5,886.00		£25,829,946	
		Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR		
Deprivation	FSM	£442.36	£442.36	1,857.00	1,438.00	£1,457,576	<b>£9,405,300</b>
	FSM6	£542.89	£789.20	3,060.76	2,884.13	£3,937,814	
	IDACI Band F	£201.07	£291.55	1,120.62	834.91	£468,742	
	IDACI Band E	£241.29	£392.09	1,469.02	1,104.34	£787,433	
	IDACI Band D	£361.93	£517.76	894.83	611.17	£640,305	
	IDACI Band C	£392.09	£563.00	760.12	576.90	£622,828	
	IDACI Band B	£422.25	£603.21	1,192.71	942.80	£1,072,330	
	IDACI Band A	£578.08	£814.34	326.04	282.19	£418,271	
		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	£517.76	£1,392.42	2,457.46	238.76		<b>£1,604,823</b>
		Amount per pupil		Eligible proportion of primary and secondary NOR respectively			
Prior attainment	Low Attainment % new EFSP	£1,055.62		5,737.75		£6,056,879	<b>£8,901,121</b>
	Low Attainment % old FSP 78						
	Secondary pupils not achieving (KS2 level 4 English or Maths)	£1,558.30		1,825.22		£2,844,242	
Lump Sum						£110,589.00	<b>£9,289,476</b>
Additional Lump Sum for amalgamating schools							<b>£44,236</b>
Split Sites							<b>£40,000</b>
Rates							<b>£1,462,056</b>
Additional funding under the minimum funding level							<b>£4,630,767</b>
<b>Total Funding for Schools Block Formula (excluding MFG Funding Total)</b>							<b>£156,351,352</b>

Minimum Funding Guarantee (MFG is set at +0.5%) less deduction for capping	<b>£4,658,108</b>
<b>Total Funding For Schools Block Formula</b>	<b>£161,009,460</b>
<b>less de-delegation</b>	<b>-£990,389</b>
<b>less Education functions</b>	<b>-£250,000</b>
<b>Total Funding For Schools Block Formula less de-delegation</b>	<b>£159,769,071</b>

## Formal Council Tax Resolution

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

1. It be noted that on 23rd January 2019 the Council calculated
  - (a) the Council Tax Base 2019/20 for the whole Council area as 76,999 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")] and;
  - (b) 1,577 for dwellings in the Parish of **Partington**;

to which Parish Precepts relate.

#### It is recommended : -

2. That the Council approve the Council Tax Requirement for the Council's own purposes for 2019/20 (excluding Parish precepts) as £99,499,648.
3. That the Council agrees the calculation of the Aggregate Amounts for the year 2019/20 in accordance with Sections 31 to 36 of the Act:
  - (a) £482,463,213 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) £382,896,542 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - (c) £99,566,671 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) £1,293.09 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) £67,023 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
  - (f) £1,292.22 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) £1,334.72 **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.

4. The council tax set by Trafford Council includes a 1.0% increase to be spent exclusively on supporting the delivery of adult social care services.
5. That it be noted that for the year 2019/20 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 2019/20 for each part of its area and for each of the categories of dwellings.

#### Valuation Bands

Council Tax Schedule 2019/20	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
<b>Trafford Council (including Adult Social Care Precept)</b>	861.48	1,005.06	1,148.64	1,292.22	1,579.38	1,866.54	2,153.70	2,584.44
<b>Mayoral Police and Crime Commissioner Precept</b>	132.20	154.23	176.27	198.30	242.37	286.43	330.50	396.60
<b>Mayoral General Precept (including Fire Services)</b>	51.29	59.84	68.39	76.95	94.05	111.15	128.24	153.90
<b>Sub total</b>	<b>1,044.97</b>	<b>1,219.13</b>	<b>1,393.30</b>	<b>1,567.47</b>	<b>1,915.80</b>	<b>2,264.12</b>	<b>2,612.44</b>	<b>3,134.94</b>

Partington								
Parish only	28.33	33.06	37.78	42.50	51.94	61.39	70.83	85.00
Parish & District only	889.81	1,038.12	1,186.42	1,334.72	1,631.32	1,927.93	2,224.53	2,669.44
<b>Aggregate of Council Tax requirements (incl. – Mayoral Precepts)</b>	<b>1,073.30</b>	<b>1,252.19</b>	<b>1,431.08</b>	<b>1,609.97</b>	<b>1,967.74</b>	<b>2,325.51</b>	<b>2,683.27</b>	<b>3,219.94</b>

#### PARISH COUNCIL PRECEPTS

Parish/Town Council	2018/19			2019/20			C Tax Increase
	Tax Base	Precepts £	Council Tax Band D (£)	Tax Base	Precepts £	Council Tax Band D (£)	
Partington	1,550	65,875	42.50	1,577	67,023	42.50	0.0%
<b>TOTAL</b>	<b>1,550</b>	<b>65,875</b>		<b>1,577</b>	<b>67,023</b>		