TRAFFORD COUNCIL

Report to: **Executive**
Date: **30 September 2019**
Report for: **Information and Decision**
Report of: **The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems**

Report Title:

Budget Monitoring 2019/20 – Period 4 (April to July 2019).

Summary:

The purpose of this report is to inform Members of the current 2019/20 forecast outturn figures relating to both Revenue and Capital budgets. It also summarises the latest forecast position for Council Tax and Business Rates within the Collection Fund.

Recommendation(s)

It is recommended that the Executive:

a) note the report and the changes to the Capital Programme as detailed in paragraph 30 and;
b) agree to the provision of a short term loan facility to Trafford Leisure Community Interest Company as detailed in the report.

Contact person for access to background papers and further information:

David Muggeridge, Finance Manager, Financial Accounting Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Revenue and Capital expenditure to be contained within available resources in 2019/20.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

REVENUE BUDGET

Budget Monitoring - Financial Results

1. The approved budget agreed at the 20 February 2019 Council meeting is £169.94m. In determining the budget an overall gap of £13.44m was addressed by a combination of additional resources of £6.59m, including projected growth in business rates, council tax and use of reserves and £6.85m of service savings and additional income.

2. Based on the budget monitoring for the first 4 months of the year the forecast outturn is an overspend of £2.955m, an increase of £1.084m since period 2 comprising:-

   - An increase in net service expenditure of £384k, including an increase of £709k in Directorate budget spending, offset by a favourable movement in Council-wide budgets of £325k;
   - A reduction in funding from business rates of £700k (decline of £2.8m, offset by a recommended application of business rate smoothing reserve of £2.1m).

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

Table 1: Budget Monitoring results by Service	**2019/20 Budget (£000's)**	**Forecast Outturn (£000's)**	**Forecast Variance (£000's)**	**Percent-age**
Children's Services	35,761	36,946	1,185	3.3%
Adult Services	48,744	49,873	1,129	2.3%
Public Health	12,219	12,867	648	5.3%
Place	34,862	35,197	335	1.0%
People	3,189	3,268	79	2.5%
Finance & Systems	7,487	7,535	48	0.6%
Governance & Community Strategy	7,735	7,778	43	0.6%
Total Directorate Budgets	**149,997**	**153,464**	**3,467**	**2.3%**
Council-wide budgets (*)	19,940	18,728	(1,212)	(6.1)%
Net Service Expenditure variance	**169,937**	**172,192**	**2,255**	**1.3%**
Funding				
Business Rates (see para. 20)	(66,489)	(65,789)	700	1.1%
Council Tax (see para. 16)	(99,500)	(99,500)		
Reserves	(2,624)	(2,624)		
Collection Fund surplus	(1,324)	(1,324)		
Funding variance	**(169,937)**	**(169,237)**	**700**	**0%**
Net Revenue Outturn variance	**0**	**2,955**	**2,955**	**1.7%**
Dedicated Schools Grant	**134,718**	**134,417**	**(301)**	**(0.2)%**

(*) Includes net income from the Asset Investment Strategy which is currently forecast to exceed budget by £155k in 2019/20 – see Table 2 Council-wide variances.

Budget Adjustments and Virements

4. There have been a number of budget virements and re-alignments since the period 2 report and are shown in Appendix A below.

Main variances, changes to budget assumptions and key risks

5. The main variances contributing to the projected overspend of £2.955m, any changes to budget assumptions and associated key risks are highlighted below:

<table>
<tr><th>Table 2: Main variances</th><th>Forecast Variance (£000's)</th><th>Explanation/Risks</th></tr>
<tr><td>Children's Services</td><td>1,185</td><td>
Projected outturn variance £1.185m adverse; favourable movement of £477k since period 2 report

£640k above budget on Children's placements (note 1), favourable movement of £924k;
£332k on staffing; adverse movement of £332k (note 2);
£142k above budget on home to school transport and nurseries (note 3), adverse movement of £44k;
£71k minor variances across the service on running costs, adverse movement of £71k.

<u>Note 1</u>
The variance of £640k is as a result of a continuing rise in demand and increasing costs of children's placements.
Since the last monitoring report there has been a favourable movement of £924k.
The reasons for this are outlined below:-
<table>
<tr><th>Description</th><th>£000's</th></tr>
<tr><td>New placements net of contingency allocation</td><td>57</td></tr>
<tr><td>Step down placements no longer taking place or delayed</td><td>290</td></tr>
<tr><td>New/accelerated step up placements</td><td>71</td></tr>
<tr><td>Step up placements no longer taking place or delayed</td><td>(119)</td></tr>
<tr><td>New/accelerated step down placements</td><td>(740)</td></tr>
<tr><td>Step up placements prevented</td><td>(237)</td></tr>
<tr><td>Those that no longer require a placement in the children service due to their age or other circumstances</td><td>(210)</td></tr>
<tr><td>Other minor variations e.g. price changes</td><td>(36)</td></tr>
</table>
The number of children in care as at the end of July 2019 is 414, a reduction of 13 since period 2.
</td></tr>
</table>

Within the projected forecast there is an anticipated reduction in costs of £740k as the service constantly monitors the progress and possible next steps for young people in care. The table below tracks the position as reported at period 2 to the current position at period 4.

Description	**£000's**
Estimated reductions at P2	1,149
Net effect of those that have/have not taken place (some took place earlier than estimated) *	(913)
Additional ones that have taken place during P3 & P4 *	(69)
Those still to take place from P2 **	332
New ones identified to take place **	408
Total that have taken place *	**(982)**
Estimated ones to take place **	**740**

A contingency of £833k is also included to cover any further demand and potential timeline changes to the anticipated reductions mentioned above. The contingency will be released throughout the financial year if the service can prevent or reduce demand.

The above position includes the achievement of the savings target of £573k.

The service is working on strategies to minimise the forecasted overspend and will attempt to make the most cost effective decisions for Children entering care without compromising on outcomes for Children and safety. The service is actively pursuing options that will allow Children currently placed outside of the borough in high cost external placements to return to appropriate placement/packages of support in Trafford which would result in cost reductions, maximising internal sufficiency. The service is also adopting new working methods in the form of Restorative Practice and No Wrong Door (post October 2019) aimed at improving early help and reducing the need for the escalation of Children through the service.

Note 1a

The service has operated at speed to address the issues raised in the recent OFSTED Report by increasing capacity at the front door and bringing in additional agency social workers and team leaders. There is an Improvement Board in place that is monitoring the implementation of an Improvement Plan which outlines the actions and resources required. A one-off budget of £1.5m for 2019/20 has been set aside for this with commitments to date of £1.4m to make the immediate changes needed. The

		budget process for 2020/21 includes an additional recurrent budget of £1m to support long-term approaches to embed improvements, with commitments to date of £741k. **Note 2** As a consequence of the increase in demand current forecasts indicate there is a potential overspend of £332k on additional staffing costs over budget. At this stage it is not anticipated that these costs will be offset by underspends materialising as a result of vacancies occurring throughout the financial year due to current caseloads being experienced by the teams. **Note 3** The Home to School Transport service continues to experience high demand and increasing costs and although the full extent of projected costs will not be known until demand is confirmed when the new school year commences in September 2019, current forecasts show that the service will be £101k overspent at the year end; an adverse movement of £27k. The remainder of the overspend, £41k, is due to a shortfall in anticipated income at the Sanyu and Partington nurseries; an adverse movement of £17k.
Adult Services	1,129	**Projected Outturn variance £1.129m adverse, an adverse movement of £823k since period 2 report.** ➢ £1.458m adverse variance in the Adult Client Budget; an adverse movement of £1.152m. (Note 1); ➢ £329k favourable variance, a favourable movement of £329k due to vacancies and one off savings (Note 2); **Note 1** Adult Clients £1.458m adverse variance. This budget continues to be extremely volatile and although the service is managing to maintain client numbers, it is the unforeseen increase in costs due to market conditions, client complexity, 5 high cost placements during this period, and a reduction in client contributions that has resulted in a significant movement from period 2. The reasons for the movement are outlined below:- • £970k in costs for new clients net of contingency; • £(348)k net reduction in existing client costs; • £530k in additional contingency. The Trafford market continues to be complex and in many instances local prices continue to rise above the Council's framework prices. There is a significant challenge for the service to procure care at framework prices and although the budget incorporated an element for this the forecasted position is higher than anticipated. As at period 4 the Council

is forecasting to spend approximately £3.74m in care costs in excess of framework rates; this is an increase of £541k from period 2.

Note 1a provides further insight into market conditions within the borough.

In the last update the contingency figure provided was £1.2m, in addition to this was an amount of £400k for transitions. The contingency for the two month period has been released but due to the significant increase in costs during this period it is considered prudent to increase the levels for the remaining months to a total of £1.5m. This is to mitigate against potential further increases throughout the financial year.

The 2019/20 budget includes a savings target of £560k. To date £267k has been realised and it is expected that the target will be achieved in full.

The service continues with its initiatives to reduce these cost pressures by:

- Exploring alternative contracting and payment arrangements including block purchasing;
- Increasing the use of the short term recovery services within the Stabilise and Make Safe service (SaMS), ensuring that clients can increase/maintain their independence and reduce demand for residential/nursing and homecare services;
- Extending the use of equipment solutions to meeting needs through the Right Care for you programme;
- Increasing the use of technology;
- Exploring further programmes across learning disability and mental health services to manage demand and costs of care to support the budget planning for 20/21.

Note 1a

Table 1 below shows the increase in the average price of Residential Elderly Mentally Infirm (EMI) beds, Nursing EMI beds and homecare within the borough for people over 65 between 2017/18 and 2019/20.

Table 1

	2017/18	% Increase	2018/19	% Increase	2019/20
Residential (Elderly mentally infirm) p/w	533.48	12%	597.17	12%	665.98
Nursing (Elderly Mentally infirm) p/w	601.90	18%	713.05	11%	789.97
Homecare p/h	14.75	5%	15.49	3%	16.01

The Council's budget allows for an annual uplift to framework prices that equates to approximately 4% per year as shown in the table below.

Table 2

	2017/18	% Increase	2018/19	% Increase	2019/20
Residential (Elderly Mentally Infirm) p/w	465.18	4%	483.23	4%	502.37
Nursing (Elderly Mentally Infirm) p/w	536.96	4%	557.79	4%	579.88
Homecare p/h	14.06	4%	14.63	4%	15.25

The budget also allowed for an additional £1.5m to cover demand pressures which would, in part, include payments above framework prices. However the rate at which these are increasing is higher than had been anticipated and latest data captured on beds commissioned over the past 12 months indicates that the situation is worsening with average costs of £733.24 and £865.60 for Residential EMI and Nursing EMI respectively.

Note 2

Current forecasts indicate there is a favourable variance of £329k. This is due to anticipated savings of £201k on staffing budgets due to vacancies and £139k savings against client equipment and maintenance budgets.

Other minor adverse variances of £11k.

Public Health	648	**Projected Outturn variance £648k adverse, an adverse movement of £85k from period 2 report.** The reason for the adverse movement is due to a reduction in the projected achievement in planned savings. The service is under significant pressure this year to reduce its expenditure in order to mitigate the increasing costs of the Community Services contract currently provided by Pennine Care NHS Foundation Trust which is due to transfer to Manchester Foundation Trust (MFT) in October 2019. The additional cost pressure amounts to £1.641m which had been offset by a number of planned savings amounting to £1.020m and projected underspends on staffing of £58k. However, current projections indicate that £85k of the above savings will not be achieved. For this year the service is working in conjunction with Pennine Care NHS FT to agree the actual full cost recovery values on the Community Service contract with dialogue taking place on actual staffing levels for this year only. Reconciliations for the first quarter of the financial year are currently underway. Therefore subsequent forecasts on the cost pressure may be adjusted subject to the outcome of the work referred to above.

		The planned savings of £1.020m above are not all recurrent; £360k is one-off in nature. This means that there is currently a predicted shortfall in recurrent savings of £981k and this may present a pressure on next year's budget. The service is continuing to explore further options for savings for 2020/21.
Place	335	**Projected outturn variance £335k adverse, an adverse movement of £169k since period 2 report:-** ➢ The increased overspend reflects the recent notification of backrent/service charges owing for Urmston Library £311k and a net increase in other property running costs £25k. This is offset by additional turnover rent income from Stamford Centre £102k and in-year operational buildings income £26k. There is also an increase in the staffing underspend of £50k, and other minor adverse variances totalling £11k. ➢ The total staff cost underspend from vacancies is £201k, which is 4.1% of the overall staffing budget and £138k in excess of the Directorate-wide efficiency savings target. ➢ The overspend includes £192k shortfall in income from Stretford Arndale turnover rent, continuing from 2018/19. ➢ Additional one-off costs of £151k associated with surplus properties awaiting disposal/re-development. ➢ £50k for backlog of tree maintenance. ➢ £169k one-off additional income from Regent and Oakfield Road car parks remaining open longer than expected. ➢ Building control trading account has a forecast net deficit of £61k for the year. ➢ Other minor variances net underspand of £21k. Note – The Planning service budget is ring-fenced in line with government regulations resulting in a neutral impact on the forecast outturn. There was a £222k underspend in 2018/19 which has been carried forward to 2019/20 through reserves accordingly. Currently there is a projected underspend of £257k from staff vacancies and £91k in running costs, partly offset by a shortfall in income against target of £322k. The surplus balance of £26k will be transferred to the ringfenced reserve accordingly.
People	79	**Projected outturn variance £79k adverse, an adverse movement of £6k since period 2 report:-** ➢ Staff costs are underspent by £51k due to vacancies during the year, which is 2.0% of the staffing budget. This is a reduction of £15k since period 2 report and reflects vacancies being recruited to;

		➢ Running costs are £60k above budget including £28k relating to a temporary trading deficit at Flixton House; ➢ Additional income above budget mainly from traded services of £58k, which is £10k higher than period 2; ➢ The above are offset by the budgeted Directorate-wide efficiency saving target of £128k.

Finance & Systems	48	**Projected outturn variance £48k adverse, an adverse movement of £129k since period 2 report:-** ➢ Staff costs are underspent by £54k, a reduction of £80k since period 2. This reflects forecast net vacancies for the year and is 0.6% of the staffing budget. The main areas of vacancies are Exchequer services, where staff turnover is traditionally high. The Transformation team also has a one-off projected cost above budget of £179k while the service is reconfigured within the Council; ➢ Net underspend on running costs of £76k, a reduction of £26k since period 2. This includes a £52k underspend in Finance Exchequer Services, mainly in council tax billing and printing costs, and a £24k reduction in central ICT maintenance contract costs; ➢ Income is £9k above budget relating to ICT external SLA work (e.g. with schools), a reduction of £23k since period 2. ➢ The above are offset by the budgeted Directorate-wide efficiency saving target of £187k.
Governance & Community Strategy	43	**Projected outturn variance £43k adverse, a favourable movement of £26k since period 2 report:-** ➢ Staff costs are underspent by £301k, an increase of £6k since period 2. This is due to vacancies during the year, which is 4.2% of the staffing budget. This is £108k in excess of the Directorate-wide efficiency saving target of £193k. The main areas of vacancies are in Legal Services, which reflects challenges in recruitment for this sector, and the Access Trafford contact centre, where staff turnover is traditionally high. ➢ Net running costs above budget of £47k, an increase of £15k since period 2, including demand led legal costs; ➢ An overspend of £102k compared to budget, relating to trading activity at Sale Waterside Arts Centre. This has increased by £7k since period 2. ➢ Net income shortfall of £2k which includes a £31k deficit relating to CCTV trading offset by a saving of £29k mainly relating to SLA income in Legal & Democratic services. Forecast income has increased by £42k since period 2, including Registrar's and Land Charges.
Council-wide budgets	**(1,212)**	**Projected outturn variance £1.212m favourable, a favourable movement of £325k since period 2 report:-** ➢ Release of contingencies totaling £1.2m due to: • £700k previously reported relating to the non achievement of public health savings and to cover the shortfall in ground rent income from Stretford Mall (see Place above);

- In addition, a number of Council-wide contingencies and provisions relating to service savings not being achieved and doubtful debts have been reviewed. It is considered appropriate at this stage of the year, after taking account of un-budgeted one-off costs to release 33% of these totaling £500k.

➢ The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above budget by £100k, largely as a result of reduced subsidy resulting from a review of the treatment of temporary accommodation used by homeless families. Pressure has also been felt in lower collection rates of prior years' housing benefit overpayments as more claimants move to Universal Credit. A Housing Benefit smoothing reserve of £427k is held by the Council to help absorb fluctuations in the outturn and the figure above assumes the reserve will be used in full in 2019/20. This adverse movement since period 2 is likely to result in a recurrent pressure which will need to be considered as part of the 2020/21 budget round, along with the replenishment of the balance on the reserve;

➢ Additional income, including a rebate from the GMCA £250k;

➢ A reduction in Liability Order costs income of £243k is now projected for the year. This is due to a drop in the number of summonses issued following some new initiatives introduced by the Council in April 2019 to help households avoid poverty. We have raised the minimum amount of arrears we summons for and to try and shape behaviours. It has also been agreed to cancel costs if "first time debtors" pay in full before the hearing date;

➢ Investment Properties income is now projected to be above budget by £156k, mainly due to the recent addition of a new treasury investment;

Strategic Investment Property Portfolio 2019/20	**Investment Type**	**Forecast Net Income £**	**Budgeted Target £**	**Variance £**
Sonova House	Purchase	(63)	(37)	(26)
DSG Preston	Purchase	(273)	(274)	1
Grafton Centre	Purchase	(73)	(86)	13
The Crescent, Salford	Debt	(1,815)	(1,815)	0
Walthew House Lane, Wigan	Purchase	(108)	(140)	32
Sainsbury, Altrincham	Purchase	(58)	(60)	2
Albert Estate	Treasury	(178)	0	(178)
Total Portfolio		**(2,567)**	**(2,411)**	**(156)**

➢ Treasury Management – net costs of £63k relating mainly to the early repayment of the £4m loan held by Lancashire County

		Cricket Club; ➢ Other minor favourable variances of £12k. The Government previously announced additional grant resources in 2018/19 and 2019/20 to cover costs which may arise following Brexit. Trafford Council has received £315k over the two years. The exact details of the grant are yet to be determined so in the meantime these funds have been transferred to an earmarked reserve, resulting in a neutral impact on the 2018/19 and projected 2019/20 outturn positions.
Funding	700	See paragraph 30 below.
Dedicated Schools Grant	(301)	**Projected outturn variance £301k favourable, a £39k favourable movement.** It is projected that there will be an underspend of £301k on the DSG. This is due to underspends from vacancies on several of the staffing budgets and an expectation that the overall increase in Education and Health Care Plans will be at a lower level than was originally anticipated when the budget was set.

MTFP SAVINGS AND INCREASED INCOME

6. The 2019/20 budget is based on the achievement of permanent base budget savings and increased income of £6.855m (see para. 1 above). At this stage the latest forecast indicates that the majority of the savings programme is on target, with a small number of projects showing a minor net shortfall totalling £33k.

RESERVES

7. The balance brought forward as at 1 April 2019 of usable reserves was £72.34m. The Corporate Leadership Team has recently reviewed the draft Reserves Policy and an update will be reported to the Executive as part of the proposals for the draft Budget 2020/21 in October 2019.

LEISURE CENTRE INVESTMENT STRATEGY

8. In October 2018 the Executive approved the Leisure Centre Investment Strategy including the rebuild of both Altrincham and Stretford Leisure Centres, following an earlier approval to refurbish Urmston Leisure Centre. This report identified two factors which would impact on the financial position of Trafford Leisure Community Interest Company. The first related to the impact the deteriorating asset condition and the short term impact of the redevelopments had on its overall trading position (£1.124m). Secondly the original business cases took a cautious view of additional income in the early years after the leisure centre redevelopment to allow client base numbers to mature (£674k). This meant that there would be a short term deficit on financing costs. Overall the forecasted shortfall was reported at £1.798m over the period 2019/20 to 2021/22.

9. Subsequently further pressure has been placed on the financial position of the Company due to a need to review the current pay and grading structure and whilst updated staffing cost projections are included in the business plans for the new centres the additional costs will create a burden on the Company over the next few years until all centres are developed, estimated at £200k in 2019/20 and £300k in 2020/21 and 2021/22, and increasing the deficit to £2.598m up to 2021/22.

10. These deficit forecasts of £2.598m are placing short term liquidity issues on the Company over the next three to five years as follows:-

    2019/20 £574k
    2020/21 £650k
    2021/22 £700k
    2022/23 £520k (*)
    2023/24 £154k (*)
    (*) Includes shortfall required to fully reimburse the Council's debt costs.

11. Following this period it is expected the Company will operate with a surplus position after taking account of repayments back to the Council to cover prudential borrowing costs associated with the development works.

12. In order to support the Company a request has been made for some support to address their liquidity issues over the period.

13. The current financial projections of the new leisure centres are currently being reviewed but would suggest there is sufficient headroom to allow for repayment of the Council's prudential borrowing costs, lifecycle costs and the short term cash-flow support referred to above.

14. Approval is sought from the Executive to agree to provide loan support up to the amounts above. Such support could be met from cash-flow and not impact on the Council's budget, albeit a relatively small impact on treasury management investment income. The sums would be classified as a debtor on the Council's balance sheet to be repaid from the improved trading revenues of the new leisure centres. In mitigation it would be prudent to set aside an amount in reserves in the event the financial projections of the new leisure centres are not as good as anticipated to cover an impairment of the debtor in the future.

15. In order to oversee the trading performance of the Company, the Council will continue to regularly review trading performance and have representation on the Board.

COLLECTION FUND

Council Tax

16. The 2019/20 surplus on the Council Tax element of the Collection Fund is shared between the Council (82%), the Police & Crime Commissioner for GM (13%) and GM Fire & Rescue Authority (5%). The total surplus brought forward as at 1 April 2019 was £2.18m.

17. During the first four months of the year there has been a significant increase in the number of claims for Discounts and Reliefs which has seen a reduction in budgeted income of £0.53m. An initial full review to substantiate the award of discounts and reliefs is currently underway which will help to reduce this shortfall and it is expected to be completed by October 2019. In addition the Council is expecting to release one-off 'credits held' of approximately £1.50m, relating to historical overpayments by previous council tax payers who have now left the area and cannot be traced. The work on identifying these credits held will be completed before the end of September 2019, when a final figure will be declared.

18. As at 31 July 2019 the end of year surplus balance is forecasted to be £1.47m, after the application of £1.58m of brought forward surplus and £101k of backdated valuations. The Council's share of this is £1.27m, and is planned to support future budgets in the MTFP.

19. Council Tax collection rate as at 31 July 2019 was 39.4%, compared to the target of 39.42%.

Business Rates

20. The 2019/20 budget included anticipated growth in retained business rates, related S31 grants and redistribution of prior year surpluses of £13.29m. Since the budget was set the overall rateable value of properties has continued to fall as a result of amendments, deletions and temporary adjustments during building refurbishments. This has reduced the gross rates by approximately £0.5m. It is anticipated that the rateable value will recover over the medium term as the temporary building work is completed. In addition, there are a number of major developments taking place, in and around the Trafford Centre, which will increase in the number of retail units. Again these will increase the rateable value over the medium term, however the uncertainty regarding the timing of their completion and when they will appear on our rating list makes forecasting difficult to predict.

21. During the first quarter, there have been final adjustments relating to two historic appeal cases dating back to 2010. These settlements have been in excess of the anticipated levels held within our appeals provision and along with other backdated items have resulted in a gross loss in income of £3.5m.

22. The size of the above figure, reiterates the inherent risk associated with managing business rates appeals and the importance of maintaining a sizable risk reserve to absorb the impact of such variances.

23. An assessment of the level of our appeals provision has taken place, which has involved detailed discussions with the Valuation Office. Particular attention has been paid to the impact of appeals relating to the major transport infrastructure works currently taking place in and around Trafford Park. The appeals provision has been maintained at its current levels using broad assumptions, however is prone to variation and subject to ongoing and lengthy VOA tribunal discussions.

24. The overall impact of the above and changes in the level of reliefs has resulted in a projected deficit on the Collection Fund of approximately £3.7m.

25. There has been a further pressure relating to a late adjustment to grant levels by MHCLG of £0.6m, however discussions are ongoing as to whether the Council will be compensated. The impact of the above adjustments and the reduced level of contribution the Council makes to the Greater Manchester Business Rates Pool have resulted in a net in-year pressure of £2.8m.

26. It must be emphasized that most of the impacts causing the in-year pressure are one off in nature, particularly the historic appeals. The situation may improve during the year, pending the discussions with the Government regarding the loss of grant and the potential for the new property developments coming online. In the meantime, it is recommended that the Business Rates Risk Reserve be drawn upon if the situation does not improve over the course of the year.

27. The Business Rate Risk Reserve was established in 2017/18 to hold the surplus funds generated from the Business Rates Growth Pilot and amounts redistributed from the GMCA. It was designed to cover volatility in the fluctuation of business rates and provide a cushion when the business rates system is reset in 2020/21. The balance on this reserve at the end of 2018/19 stood at £8.8m. It is intended to draw down £6.7m when the Business Rates scheme is reset (2021/22) to part cushion the impact of the full reset of the business rate retention scheme. The balance of £2.1m will provide some support to partially absorb the impact of the in-year pressures, leaving a net pressure of £0.7m.

28. Business Rates collection rate as at 31 July 2019 was 38.73% compared to a targeted collection rate of 38.40%.

CAPITAL PROGRAMME

29. The value of the indicative 2019/20 Capital Programme set in February 2019 was £167.93m and included £100.00m for the Asset Investment Fund phased to 2019/20 (see para. 41). Following on from the amendments reported at period 2 monitoring a number of further changes have taken place and the budget is currently estimated at £262.39m. The changes to the budget are detailed below and are summarised as follows :

Table 3 - Capital Investment Programme 2019/20	**Approved Programme £m**	**Changes £m**	**Current Programme £m**
Service Analysis:			
Children's Services	13.71	(0.02)	13.69
Adult Social Care	3.04	0.06	3.10
Place	44.41	0.17	44.58
Governance & Community Strategy	1.39	-	1.39
Finance & Systems	1.98	0.51	2.49
General Programme Total	**64.53**	**0.72**	**65.25**
Asset Investment Fund	197.14	-	197.14
Total Programme	**261.67**	**0.72**	**262.39**

30. **Amendments to General Capital Programme**

- **Changes to grant allocations - £(39)k**
  In setting the 2019/20 budget some assumptions were made about the level of grant due, where we had not been notified of the actual amount. We have now been advised that the 2019/20 Pot Hole grant is £136k, £39k lower than our assumption.

- **New schemes and changes to existing budgets - £763k**
  - **Cycle & Riding Stations : £161k** – TfGM have awarded a grant of £161k for the provision of cycle stations at Urmston & Brooklands stations.
  - **Play Area Refurbishments : £90k** – two grants totalling £90k have been awarded to support play area works at Sale West Woods (£49k) and Gorse Hill Park, Stretford (£41k). .
  - **CRM Upgrade : £509k** – Agreement has now been reached with the provider on the outstanding costs relating to the completion of the project. A budget for this year to cover these costs has now been put into the programme.
  - **Other changes: £3k** – a number of small adjustments, including re-phasing of an integrated transport scheme £(40)k, works to correct access to a boiler room at Victoria Park Infant School £33k and works at Sanyu Daycare Centre £10k, have also been undertaken.
  - **Moss Lane Bridge : Retaining wall works** – The Council's cost for the works have increased from £200k to £300k. A review was undertaken of

the bridges capital programme to identify budget to cover these costs. Savings on a number of bridges schemes have been identified and £100k has been vired accordingly.

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

Table 4 - Capital Investment Resources 2019/20	**Approved Programme £m**	**Changes £m**	**Current Programme £m**
External:			
Grants	18.46	0.13	18.59
Contributions	12.88	0.09	12.97
Sub-total	**31.34**	**0.22**	**31.56**
Internal:			
Receipts requirement	12.06	0.50	12.56
Borrowing	214.49	-	214.49
Reserves & revenue contributions	3.78	-	3.78
Sub-total	**230.33**	**0.50**	**230.83**
Total Resourcing	**261.67**	**0.72**	**262.39**

32. When setting the three year programme in February 2019 an over-programming position of £2.94m was agreed. This reduced to £2.36m at period 2, but the introduction of the adjustments above has taken this up to £2.90m.

Status and progress of projects

33. This section aims to give certainty about delivery and the level of outturn performance that can be expected. For the first time in setting a capital budget the report for 2019/22, approved in February 2019, provided appendices which detailed the projects for a number of “block” allocations in 2019/20. These cover highways, corporate landlord and greenspace and has allowed for earlier design and programming with the expectation that all schemes will be delivered in year.

34. As part of the monitoring process a record of the “milestones” reached by each project is kept to show the progress of the scheme from inclusion in the Programme through to completion. The table below shows the value of the programme across the milestone categories.

Table 5 - Status on 2019/20 Projects	**Current Budget £m**	**Percentage of Budget**
Already complete	15.27	23%
On site	29.36	45%
Programmed to start later in year	14.45	22%
Not yet programmed	6.17	10%
Total	**65.25**	**100%**

35. The first three categories give a good indication as to the level of confirmed expenditure to be incurred during the year. As can be seen £59.08m (90%) of the budget has now been committed or is programmed to start in the year.

36. Schemes with a value of £6.17m are classed as “Not yet programmed” and relate to budgets where specific projects have not yet been agreed or budgets that have yet to have a start date, these include:

- School Expansion and Maintenance Programme - £1.94m: An unallocated balance remains following the approval by the Executive of the 2019/20 schools capital investment works. This will be either called upon as the budgets for the 2019/20 schemes are finalised or will be the subject of a separate report to the Executive for inclusion in the 2020/21 programme.
- Leisure Centres – Essential Safety & Compliance Works - £450k : Assessments and surveys of the sites are ongoing and when reports are complete a programme addressing the most urgent works will be compiled.
- Foster Carers – Accommodation Improvements - £200k: Support is being offered to fosterers to ensure their property remains fit for purpose for the children in their care. There are currently seven properties agreed, at differing stages of completion, however there is still some budget to be allocated.
- City Cycle Ambition Grant Programme - £419k: Negotiations are still ongoing with TfGM to finalise the works to be undertaken.
- Football Facility Provision - £1.03m: The budget includes grant support of £596k from the Football Foundation. Negotiations are still ongoing and as a result a date for the implementation of the scheme is still to be decided.
- Timperley Sports Club: Pitch contribution - £350k : The council agreed to make a contribution to the replacement of the artificial pitch for use by local schools. This contribution was expected to fall due in this year, however the club are looking into larger scale development opportunities and as a result it is not known when the Council contribution will be required.

37. There are a number of schemes which, whilst they have started or are still due to start in year, are not now expected to complete until 2020/21. As a result the outturn projection is now estimated to be £60.55m in year. The table below provides a summary.

Table 6 – 2019/20 Outturn Projection	£m
Current General Programme	**65.25**
Actual spend to date	13.21
Expected spend for P5-P12	47.34
Outturn Projection	**60.55**
Variance to current budget	**(4.70)**
Major Areas which require re-phasing to 2020/21	
- Schools expansion projects	1.30
- Altair Development, Altrincham	1.00
- Affordable Housing Programme	0.40
- Highways England - City Scheme	2.00
Total re-phasing requirement	**4.70**

ASSET INVESTMENT PROGRAMME

38. The Council's Investment Strategy was originally approved by the Executive in July 2017 when approval was given to set the Asset Investment Fund at £300m, supported by prudential borrowing. As part of the 2019/20 budget setting a further £100m was approved taking the fund up to £400m.

39. To date ten transactions have been agreed by the Investment Management Board at a total capital cost of £176.45m with actual costs incurred totalling £102.85m by the end of 2018/19. This investment to date has already provided a net benefit to support the revenue budget in 2018/19 of £1.67m which will continue into 2019/20 and later years.

40. The current level of commitment stands at £73.60m and relates to :

- The purchase of Site K, Stretford was completed in April 2018 and the joint venture company with Bruntwood has been set up to progress the development of the site. Works are now almost complete with the first intake of students expected in September 2019.
- The residential development of the Brown Street site in Hale is to be undertaken by Trafford at a gross cost of £7.16m, inclusive of capitalised interest financing costs of £153k. The projected development value will be £8.81m, giving a net surplus of approximately £1.65m which is in line with the financing assumptions for the overall capital programme.
- The fund is to provide a debt facility of £60.80m to a developer for the construction of a new residential development at The Crescent, Salford. The provision of this facility was approved by the Investment Management Board as compliant with the Investment Strategy objective of delivering a financial return to support the Council's revenue budget in addition to providing regeneration to the wider Greater Manchester economic area.

Table 7 : Asset Investment Fund	2017/18 £m	2018/19 £m	Commitment £m	Total £m
Total Investment Fund				***400.00***
Cost				
K Site, Stretford:-				
Equity in Trafford Bruntwood LLP	0.62	8.48	3.15	12.25
Development Loan to Bruntwood	0.62	8.48	3.15	12.25
Sonova House, Warrington	12.17			12.17
DSG, Preston	17.39			17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	10.84			10.84
Provision of debt financing for residential development	3.13	(3.13)		0
Trafford Magistrates Court		4.07		4.07
The Fort, Wigan		13.93		13.93
Sainsbury's, Altrincham		25.59		25.59
Brown Street, Hale		0.66	6.50	7.16
The Crescent, Salford			60.80	60.80
Total investments	**44.77**	**58.08**	**73.60**	**176.45**
Balance available				**223.55**

41. In addition to the investments reported above a further investment of £17.6m has been approved by the Investment Management Board to provide a loan facility in respect of the Albert Estate. This is a Treasury Management transaction and so is not being funded through capital hence the reason it is not shown in the table above.

Issues / Risks

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

Recommendations

43. That the Executive

    a) note the report and the changes to the Capital Programme as detailed in paragraph 30 and;

    b) agree to the provision of a short term loan facility to Trafford Leisure Community Interest Company as detailed in the report.

Other Options

Support could be provided to Trafford Leisure Community Interest Company, a Company wholly owned by the Council, in the form of either a grant or loan. The benefit of the loan arrangement rather than a grant is that it allows for repayment of funds back to the Council in the future subject to an adequate trading position of the Company.

Consultation

Not Applicable

Reasons for Recommendation

The provision of financial support to Trafford Leisure Community Interest Company will mean the Company is able to continue to provide the current breadth of leisure facilities across the Borough.

Finance Officer Clearance **GB**……
Legal Officer Clearance ……***DS***……

CORPORATE DIRECTOR'S SIGNATURE ……

Appendix 1

Virements	Children's (£000's)	Adults (£000's)	Place (£000's)	* Central Services (£000's)	Council-wide (£000's)	Total (£000's)
Period 2 Report	**35,443**	**61,281**	**34,797**	**18,476**	**19,940**	**169,937**
All Age Integration budget has now been restructured back to Children from Adults	318	(318)				0
Re-alignment of Living Wage costs			65	(65)		0
Total virements	**318**	**(318)**	**65**	**(65)**	**0**	**0**
Period 4 Report	**35,761**	**60,963**	**34,862**	**18,411**	**19,940**	**169,937**

* People, Finance & Systems and Governance & Community Strategy.