

TRAFFORD BOROUGH COUNCIL

Report to: Executive and Council
Date: 19 February 2020
Report for: Decision
Report of: Executive Member for Finance and Investment and the Corporate Director of Finance and Systems

Report Title

Executive's Revenue Budget Proposals 2020/21 & MTFS 2021/22 - 2022/23

Summary

This report sets out the Executive's updated 3 year budget strategy proposals and detailed revenue budget proposals for 2020/21 and Medium Term Financial Strategy (MTFS) for the period 2021/22-2022/23.

The key summary of figures for the revenue budget are:

- The overall budget movement for 2020/21 is an increase in the net budget of £5.26m or 3.09%, from £169.94m to £175.20m.
- The budget funding gap for the three years before applying these proposals is now estimated to be £42.13m comprising:
 - £36.9m of additional cost pressures
 - £5.23m of reductions to funding
- The proposals contained in the report close the 2020/21 budget gap of £18.50m via a mixture of measures:
 - Additional funding of £3.98 million and use of reserves £4.47m
 - Income generation £6.12m
 - Service delivery savings £3.93m
- It should be noted that if all the proposals in this report are implemented there currently still remains a residual budget gap of:
 - £15.01m in 2021/22, and
 - £5.66m in 2022/23

Throughout 2020 the Executive will continue to review proposals to address this budget gap.

Recommendation(s)

That the Executive recommend to Council that it :-

- a) Approves the 2020/21 net Revenue Budget of £175.20m.
- b) Approves the 2021/22 to 2022/23 Medium Term Financial Strategy (MTFS) including the income and savings proposals.
- c) Approves the calculation of the Council Tax Requirement as summarised in Section 9.1 and set out in the Formal Council Tax Resolution in Annex K (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) Approves the proposal to increase Council Tax by 3.99% in 2020/21:
 - o 1.99% general increase in the 'relevant basic amount' in 2020/21, 2021/22 and 2022/23, and
 - o 2% for the 'Adult Social Care' precept in 2020/21.
- e) Approves the planned application of earmarked reserves as detailed in Section 6, Para 6.4.2
- f) Approves the Fees and Charges for 2020/21 and those relating to Registration of Births, Death & Marriages also shown for 2021/22, as set out in the Fees & Charges booklet.
- g) Delegates authority jointly to each Corporate Director in consultation with the Corporate Director of Finance and Systems to amend fees and charges during 2020/21 in the event of any change in VAT rate, as appropriate.
- h) Delegates authority jointly to each Corporate Director in consultation with the Corporate Director of Finance and Systems to amend fees and charges during 2020/21 where the economics of the charge levels have changed (e.g. costs have risen unexpectedly), or for commercial reasons.
- i) Approves the proposal to maintain the minimum level of General Reserve for 2020/21 at £7.0m, the same level as in 2019/20 (Section 6.6).
- j) Approves the Capital Strategy, Prudential and Local Indicators and overall level of the Capital Programme and Asset Investment Fund of £368.72m (as detailed in the Capital Strategy, Capital Programme & Prudential Indicators 2020/23) of which £262.11m relates to 2020/21; including the proposal in relation to £106.92 million of new prudential borrowing.
- k) Approves the Treasury Management Strategy 2020/21 to 2022/23, including the debt strategy (Section 3), the Treasury 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.

- l) Approves the proposed distribution of Dedicated Schools Grant as recommended by the School Funding Forum and Executive as summarised in Section 8 and detailed in Annex J.

and confirms that in recommending approval of the above, it has taken into consideration :

- m) The objective assessment by the Corporate Director of Finance and Systems of the robustness of budget estimates and adequacy of the financial reserves (Section 6 and Annex I).
- n) The Executive's response to the Scrutiny Committee's recommendations to the budget proposals as included in a separate report on the agenda.
- o) The Council's Public Sector Equality duty.
- p) The results of the consultation on the budget proposals where required.

In addition, Executive recommends that Council notes the following :

- q) The approval on 18 January 2020 under delegated powers by the Corporate Director of Finance and Systems of the Council Tax Base for 2020/21 at 77,386 Band D equivalents.
- r) the calculation of the estimated Council Tax surplus, sufficient to release £(1.216)million to support the Council's 2020/21 revenue budget and a distribution of £(180)k and £(70)k representing the respective shares of the Mayoral Police and Crime Commissioner Precept and Mayoral General Precept (including Fire Services).
- s) The base budget assumptions as set out in the Medium Term Financial Strategy (MTFS) as detailed in Annex A.
- t) The budget gap for the two years 2021/22, £15.01m and 2022/23, £5.66m.
- u) That the Capital Programme for 2020/21, 2021/22 and 2022/23 is to be set at an indicative £262.11m, £60.37m and £46.24m respectively (indicative at this stage as a number of capital grants not yet known).
- v) 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 Tom Ross, Executive Member for Finance and Investment
Nikki Bishop, Corporate Director of Finance and Systems
Extension: 4884

Background Papers – None

Implications:

Relationship to Policy Framework/Corporate Priorities	Value for Money. The proposed budget for 2020/21 supports all key priorities and policies.
Financial	The report sets out the proposed budget for 2020/21, allocating available resource across service objective heads as detailed in Annex H 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.
Equality/Diversity Implications	The Council has complied with the requirements of its Public Sector Equality Duty. Measures have been subject to equality impact assessments where necessary.
Sustainability Implications	There are a number of measures throughout these budget papers which support the Council's ambition of becoming carbon neutral by 2038.
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	Equality Impact Assessments have been carried out where appropriate. The Council is directed to have regard to its Public Sector Equality Duty in reaching its decision.
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 2020/21 comprising the increase of 2% for the 'adult social care precept' to be earmarked for adult social care expenditure and 1.99% 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 2020/21. If this option were pursued then further savings of £3.98 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 6) 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

None of the proposals in the budget report have required public consultation.

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 2020/21. The reasons for these recommendations are to deliver a balanced budget for 2020/21 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 ClearanceGB.....

Legal Officer Clearance ...DS.....

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 2020/21 &
2021/22-2022/23 Medium
Term Financial Strategy**

19 February 2020

CONTENTS

	Pages
Foreword by the Executive Member for Finance and Investment	9
Section	
1 Budget Process 2020/21	1
2 Financial Background	7
3 2019/20 Base Budget & Monitoring Position as at Period 8 (November 2019)	17
4 Budget Updates 2020/21 and MTFS 2021/23	20
5 Proposed 2020/21 Budget & 2021/23 MTFS	27
6 Robustness, Risks & Reserves	29
7 Investment Strategy	37
8 Schools Funding & Budgets 2020/21	
9 Council Tax Requirement and Statutory Calculations	43
Annexes	
A Base Budget Assumptions	47
B Budget Movements & Proposals: Oct 2019 to Feb 2020	48
C Analysis of Business Rate Growth Supporting the Budget in 2020/21	50
D Income and Savings Proposals 2020/21 to 2022/23	52
E 2020/21 Indicative Budget categorised subjectively (changes in expenditure and incomes by category)	55
F Details of Reserves by Category	57
G Service Area Priority Reserves Programme	60
H 2020/21 Indicative Budget categorised objectively (management accounts format)	66
I Robustness of the 2020/21 Proposed Budget Estimates	69
J Outline of Schools Funding Formula 2020/21	76
K Formal Council Tax Resolution	77

**FOREWORD by the EXECUTIVE MEMBER for FINANCE and INVESTMENT
COUNCILLOR TOM ROSS**

I am pleased to present the Council's budget report for the period 2020/21 to 2022/23 which sets out our spending priorities across the revenue budget, capital programme and the Dedicated Schools Grant (DSG) budgets.

Setting local authority budgets is no easy task, particularly following ten years of funding reductions. Since 2010 savings of £145m have been made to council services which have placed an immense strain on our ability to provide those services within Trafford which our residents and communities deserve.

It is important to acknowledge that the UK Government in May 2010 projected a budget balance by 2015/16 as a result of their flagship austerity policy; a policy that has had a significant impact on local government finances. The Government austerity measures failed to achieve this outcome and local government does, and is projected to, face further spending pressures over the next three years.

Politicising an economic crisis, as happened following the global financial crisis, has consequences. The consequences include the cuts to services we have witnessed over the past decade and growing demand pressures. As I write, the Council is also exposed to the uncertainty and consequences of Brexit, which could have serious consequences on our revenue. This is further compounded when considering Trafford's expenditure on services is the lowest of any metropolitan district which limits our flexibility to address further cuts in funding.

Where it can the Council endeavours to spend resources locally and in 2018/19 49%, equivalent to £87m of our controllable expenditure, was spent within Trafford and I would like to thank colleagues at STaR Procurement for their work on promoting local spend.

We are also facing significantly increasing demands on our services, particularly adults and children's social care. Our population is projected to increase by around 10% to 260,000 over the next twenty years, a slightly higher rate of increase than the national projection of 9%. 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 42%, whilst those aged 85 and over will increase by 72% bringing even greater challenges to the health and social care system. This coupled with a growth in the number of children in care and those with special educational needs, places a great strain on this area of the budget which accounts for over half of our net expenditure.

In May 2019 we received the results of an Ofsted inspection of Children's Services and this has led to additional investment into the service in the current year to address issues arising from the report.

In the summer a Ministry of Housing, Communities and Local Government Select Committee produced a timely report on the current state of local government finance, given the impact caused by the previous years of the austerity budgets, ahead of the Spending Round announcement on 4 September 2019. This, despite only covering one year with the exception of school funding, announced some much needed support for local government, including £1bn of new social care grant

funding and £500m from a social care precept, together with £700m for special educational needs provision. Whilst the Council's estimated share of the former will only go part way to meet our rising cost pressure it comes as a welcome measure to help balance our budget plans.

The Spending Round also announced the deferral until 2021/22 of the implementation of the Fair Funding Review, which will be used as the basis of distribution of local government resources nationally, and the reset of the business rate retention scheme; the latter being good news for the Council for 2020/21 particularly in view of the announcement to continue with the Greater Manchester 100% business rate retention pilot. Unfortunately this will mean there will be significant budget pressure in 2021/22 following the business rate reset due to the level of revenue from business rate growth in previous years which supports the budget currently. We eagerly await details of the new distribution and transitional arrangements; the latter being highly relevant to the Council given the significant reduction in funding it will suffer from a full reset of the business rate system.

The Local Government Provisional Settlement was announced on 20 December 2019 and reiterated the forecasts within the Spending Round, albeit with some disappointing news on the New Homes Bonus grant.

We expect a number of key announcements from Government during 2020, a number of issues which will have a direct and significant impact on the budget. The national Spending Review, expected in the summer will hopefully signal some reliable multi-year forecasts for local government which should help us plan the budget with more certainty. We also await the promised update on fair funding and the reset of the business rate system together with an update on the future of social care which should offer some solutions for our social care services and how they can be afforded in the future.

Over summer 2019 the Executive and Corporate Leadership Team developed a new Corporate Plan which describes the Council's vision and priorities for the borough and provides the framework for our financial strategy. 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 and everyone in Trafford”

We believe the seven strategic priorities are key to enabling Trafford residents, businesses and staff to thrive. Our priorities set out our aspirations for our people, place and communities, and how they can affect and improve their daily lives. Our people are our greatest resource. Through engagement with our staff we will create an environment for staff to grow and develop life-long skills and see the benefit of their contribution to the borough. These priorities are not just for the Council but for the whole community and have been shared with members of the Trafford Partnerships. In order to make the difference we want to make, we will need to work closely and effectively with partners, residents, businesses and communities to make this a success.

The Council is on a journey to modernise the way we deliver services. We are aware of the increasing demands being put on council services across the country and we are no exception here at Trafford. Our customers have increasing expectations and they want a high quality service while we have to juggle these demands with less money. We have responded to these ongoing challenges by changing the way we do things, for example through collaborating with partners, improving efficiency and reducing spending where possible. However, we now need to do more if we want to be able to deliver our Corporate Plan and strategic priorities over the next three years and make Trafford a better place for everyone.

To help us achieve this we have started a programme of modernisation and remodelling of our services for the future. That means working smarter, collaborating with partners to help us deliver our corporate priorities, something we are already doing with the NHS locally through Trafford CCG, understanding the needs of our user groups in the long term and working with staff at all levels to tap into their expertise. Work is underway on our digital strategy and investing in new technologies that are available and this will continue as part of the modernisation approach.

We are talking to our staff about how they think we can improve the way we deliver services to meet the needs of a modern society - how we could be doing things differently and more effectively to help shape service areas for the next few years.

We are working closely with the CCG with the aim of delivering more integrated health and social care services and continue to utilise the Transformation Funding from government to deliver improved and more efficient services. During 2019/20, partners across Trafford have worked together to produce the Trafford Together Locality Plan which is our blueprint for the transformation of health and social care over the next 5 years and our response to the NHS Long Term Plan.

A number of workshops have been held on the budget, firstly to 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 14 October 2019 there have been a number of factors which have contributed to an overall increase in the budget gap for 2020/21 from £12.96m to £18.50m and over the next three years from £31.67m to £42.13m. This increase of £10.46m primarily relates to additional investment in Children's social care, increases to the cost of adult social care and increases to the National Living Wage.

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 Local Government Financial Settlement. The implications of the projected outturn for 2019/20 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 and we will continue to support the work of Scrutiny Committee during 2020/21.

<i>Movement in Gross Budget Gap Draft to Final</i>	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
At Draft Budget	12,956	10,238	8,471	31,665
Total Changes to Budget Assumptions (see Annex B for detail)	5,584	2,085	1,336	9,005
Changes to Funding				
Changes to Council Tax (base and prior 19/20 estimated surplus)	226	42	15	283
Impact of Fairer Funding assumptions	0	500	500	1,000
Changes to Business Rate provisional settlement	(267)	446	1	180
Total Changes to Funding (Non Policy Choice)	(41)	988	516	1,463
Revised Gross Budget Gap (Feb 2020)	18,499	13,311	10,323	42,133

It is the objective of the Executive to balance the budget in a way that minimises the impact on front line services and 2020/21 is no exception. The Asset Investment Strategy will continue to deliver crucial net revenue streams and these account for 50% of the overall savings and income proposals in 2020/21.

The 2020/21 revised gross budget gap of £18.50m has been met by a combination of the following:-

- Policy Choice Funding Increases amounting to £8.44m, comprising
 - Adult Social Care Precept of 2% to generate £2.00m
 - Increase in the basic rate of Council Tax of 1.99%, generating £1.97m
 - Application of Budget Support Reserve £4.47m
- Income generation and savings amounting to £10.06m, comprising:-
 - Income Generation of £6.12m
 - Service Delivery Savings of £3.94m

<i>Summary of the Budget Proposals</i>	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Revised Gross Budget Gap (Feb 20)	18,499	13,311	10,323	42,133
Policy Choice Funding Proposals				
Adult Social Care Precept increase 2%	(2,000)	(2,188)	(2,327)	(6,515)
General Increase in basic Council Tax to 1.99%	(1,978)	(1,986)	(2,083)	(6,047)
Contribution from Budget Support Reserve	(616)	616	0	0
Contribution from Budget Support Reserve (Children's Invest to Save measures)	(3,850)	3,850	0	0
Total Policy Choice Funding	(8,444)	292	(4,410)	(12,562)
Savings and Income proposals	(10,055)	1,408	(255)	(8,902)
Revised Budget Gap (Feb 20)	0	15,011	5,658	20,669

Our budget plans for 2020/21 include for some significant levels of new investment, including within the revenue budget:-

- Additional funding for children's and adults social care £15.4m, (excluding grants and savings) with the major items including:-
 - a major invest to save initiative within Children's Services to help support our early help and prevention services £3.8m,
 - Additional investment in Public Health services of £1m to support more preventative interventions
 - Additional investment to support increases in the National Living Wage £2m
 - Demographic pressures £4.6m
 - Contractual and pay pressures £2.4m

The capital investment plans include proposals for some major new investment; these include in 2020/21:-

- Investment in school buildings of £15.0m
- Major highways and other key infrastructure improvements £14.9m
- Leisure centre developments £11.10m
- Targeted support to some of our most vulnerable residents £5.1m
- Provision of cycling and walking schemes £4.8m
- Outdoor sports, improvements to green spaces and tree planting £1.2m
- Public realm works in our town centres £4.3m
- Town centre and business loans £0.3m

In respect of climate change this will continue to be at the forefront of Council decision making and priorities to support the ambition of becoming carbon neutral by 2038. Whilst preparatory work has been undertaken by a task and finish group it is now time to push on and an action plan will be developed over coming months, supported by external experts, to understand and develop the plans we need to put in place with key stakeholders across the borough to address this target. There are a number of measures in this budget report which provide a start to this process including, substantial investment through the Mayor's Challenge Fund in new cycling and walking schemes and a significant investment in parks and open spaces including new tree planting schemes. There are also proposals to reduce the carbon emissions at Altrincham Crematorium through the introduction of two resomation cremators and further work will be undertaken to understand the business case and financial viability of these proposals.

The Council is undertaking an options appraisal of the One Trafford Partnership Contract with Amey following a report produced by the Council's Overview and Scrutiny Committee in February 2019. Executive has received update reports during 2019 and has recommended the continuation of discussions with Amey on the future operation of the contract, with particular emphasis on service improvement. A further update report will be provided to Executive early in 2020. It is assumed any changes approved by Executive from the options appraisal will be cost neutral on the Council's budget.

As part of this update I need to mention the comments of the Corporate Director of Finance and Systems on the robustness of these budget plans and Section 6 and Annex I provide more details. These identify a number of key risks and measures, particularly around the Reserves Strategy and the size of the remaining budget gap for 2021/22. The Council has recently received an update on the Financial Resilience Index from Cipfa and a notable risk continues to be the level of earmarked reserves, which are low in comparison to similar types of authority. In recent years the Council has successfully replenished reserves where possible and this has provided some resilience to the challenges ahead. Whilst the Spending Round in the autumn provided welcome relief in the form of additional social care grant and the ability of raising additional resources through a continuation of the social care precept these are only short term fixes. Government has promised to review and fix the social care system and we await with interest the outcome of such a review.

The proposals in this report still leave a budget gap of £15.01m in 2021/22 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.

That said there are measures which will go some way to support the achievement of a balanced budget in later years. The continuation of the Asset Investment Strategy is also already providing invaluable revenue streams to support the budget; the proposals include for an increase to the current Fund which stands at £400m to £500m in order to provide headroom to allow the continuation of the Strategy, with particular focus on the regeneration of the Borough. The plans include significant invest to save measures in our Children's Services which are expected to increase the quality of services and lead to reduced demand and in later years, net budget savings. In addition the developing modernisation work will help in identifying potential measures capable of supporting the budget in future years.

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 £20.67m, 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 2020/21 to meet this future financial challenge.

Councillor Tom Ross

Executive Member for Finance and Investment

1 BUDGET PROCESS 2020/21

1.1 Budget Approach 2020/23

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

1.1.3 The gross revenue expenditure of the Council in 2019/20 is £472m and comprises:-

- Gross revenue budget £260m (£169.94m, net of specific grants and fees and charges income);
- Schools (Dedicated Schools Grant) £143m (excluding academy schools);
- Housing Benefits £69m.

1.1.4 In addition the Council has a capital programme of £263m in 2019/20 (including the Asset Investment Fund) which covers the cost of acquisition of new assets and major maintenance and improvements of the Borough's infrastructure.

1.1.5 In setting the budget close attention is placed on ensuring it aligns closely with the Council's corporate plan and priorities. At the heart of the Council's vision is a common cause to make Trafford a better borough; a place where everyone has a chance to succeed and where everybody has a voice. The Council knows it has to do things differently as it cannot do it all and, by virtue of its democratic mandate, will lead the way in ensuring that this is a shared endeavour and that across Trafford there will be a more joined up approach to service delivery. Through the new vision, it is making a commitment to work together across different services and agencies to make the best use of its resources.

“Working together to build the best future for all our communities and everyone in Trafford”

1.1.6 These are exciting times for Trafford and the vision aims to meet the opportunities and challenges that lie ahead. Over the next few years, this vision will be at the forefront of everything the Council does and aims to achieve.

1.1.7 Partnerships and collaboration will underpin the approach across Trafford and, using a place based approach, the Council will work together with partners to deliver co-ordinated support that empowers the individual, makes the most of its assets and focusses on prevention. It will start from a basis of what people can do, not from what they can't do. This will mean that it can achieve things it can't do alone and ensure that it keeps improving the lives of our residents.

1.1.8 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

- 1.1.9 To deliver on the plan it is also necessary to develop the way we work given the ten years of austerity that the Council has been through and therefore during the latter part of 2019, the Council embarked on a Modernisation journey to improve the way we deliver our services by thinking differently and fundamentally reshaping the Council and its services. There is a need to work smarter, make use of digital technology and collaborate with partners where it can. The Council takes a leading role in shaping how joined up services across the sector can best support the local area and people and is continuously shaping our culture, practices, processes and business models to respond to people's changing needs and expectations. It is working to improve the way it delivers services to meet the needs of a modern Trafford and has been holding focus groups, workshops and ongoing discussions in recent months for staff and partners to input to and help determine the change projects that will be delivered in the future. This is being done so that by 2023:-

the Council will be a people-focused, digitally enabled, commercially minded Council where our high-performing place based services will provide an excellent customer experience making the most of our assets in the borough.

1.1.10 It is acknowledged that Council employees are its greatest resource. A significant cultural change programme is underway that has a strong focus on establishing a more strategic commercial and performance orientated culture. Equal weight is put on how things are done not just what is achieved and in order to achieve the vision and plan a number of key values have been co-produced with staff:-

- **EMPOWER** – We inspire and trust our people to deliver the best outcomes for our customers, communities and colleagues.
- **PEOPLE CENTRED** – We value all people, within and external to the organisation and give those around us respect. We will act with honesty and integrity in all that we do.
- **INCLUSIVE** – We are committed to creating an environment that values and respects the diversity and richness differences bring.
- **COLLABORATE** – We build relationships, collaborate; treat people as equal partners and work together to make things happens.

1.1.11 With this framework as the context, the budget proposals have been developed. Members of the Executive and the Corporate Leadership Team have held a number of budget workshops to review the overall budget position and to ensure it supports the delivery of outcomes related to each priority and have identified five key themes around which these budget proposals have been developed:-

- **Fundamentally Reshaping our Services** – through a series of service modernisation workshops with Council staff this will create a Council which is ready for the challenges of the future. This approach will bring different capabilities and experiences together from across the Council, which will increase resilience. Services will be digital by design, exploiting opportunities provided by existing and emerging technology to deliver significant efficiencies and be a better experience.
- **Be More Commercially Minded** – To maximise commercial opportunities by continuing the investment strategy. Fundamental to Trafford is the Traded Services offer and this will be reviewed to ensure it meets customers future needs. This will also provide for a mixed economy of service provision and regularly test the market to ensure value for money.
- **Delivering More of Our Own Services** – To ensure the Council continually maximises the Trafford Pound, making sure that the services delivered are efficient and effective.

- **Health and Social Care Integration** - Using a place based approach, the Council will work together with partners, to deliver co-ordinated support that empowers the individual, makes the most of its assets and focusses on prevention. The focus will be on what people can do to support themselves, not on what they can't do, meaning more can be achieved by working in partnership to improve the lives our residents. Aspirations are to develop the existing partnership arrangements, focussing on strong neighbourhoods recognising the differing needs and treating each community equally.
- **Other Corporate Efficiencies** – Will be achieved by continually challenging activity to improve performance, reduce costs, invest for the future and generate income to ensure long term sustainability.

1.1.12 These priorities will be refreshed during 2020 to incorporate the Council's ambition to be carbon neutral by 2038.

1.1.13 A full review of all assumptions used in developing the budget plans has been undertaken, to ensure they are still relevant and up to date, including a review of all continuing savings programmes. In developing the budget proposals the Executive has continued to focus on the 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.

1.1.14 Both the revenue budget and capital programme have been developed to ensure they clearly support the delivery of outcomes related to each priority.

1.1.15 The draft budget for 2020/21 was agreed by the Executive on 14th October 2019 and set out the overall approach to the budget to address a budget gap of £31.67m in the revenue budget over the next three years, of which £12.96m related to 2020/21.

1.1.16 At draft budget in October 2019 a number of income generation and proposals and savings totalling £7.66m were identified and assumptions were made on increases to the rate of council tax. At that stage a budget gap of £0.72m remained in 2020/21.

Table 1: Budget Gap Oct 19	2020/21 £000's	2021/22 £000's	2022/23 £000's	Total £000's
Gross Budget Gap before Feb 19 Savings and Policy Choice Funding Proposals	28,496	6,735	0	35,231
Budget Updates at Draft (Oct 19)				
Changes to Budget Assumptions	(3,348)	743	8,863	6,258
Changes to Funding	(12,192)	2,760	(392)	(9,824)
Revised Gross Budget Gap (Oct 19)	12,956	10,238	8,471	31,665
Policy Choice Funding Proposals				

Adult Social Care Precept increase 2%	(2,010)	(2,188)	(2,327)	(6,525)
General Increase in basic Council Tax to 1.99% (subject to referendum level)	(1,968)	(1,986)	(2,083)	(6,037)
Contribution from Budget Support Reserve	(600)	600	0	0
Total Policy Choice Funding	(4,578)	(3,574)	(4,410)	(12,562)
Savings and Income proposals	(7,658)	3,242	1,290	(3,126)
Revised Budget Gap (Oct 19)	720	9,906	5,351	15,977

1.1.17 Since the draft budget which was approved by the Executive on 14th October 2019 there have been a number of factors which have impacted on the overall budgetary position and are updated in this report:-

- **Section 2** – Review of the Financial Background for Local Government, including the Provisional Local Government Finance Settlement
- **Section 3** – Review of the current year budget monitoring position
- **Section 4** – Budget Update including the changes to the budget pressures and funding assumptions since draft budget and how the budget gap is met for 2020/21
- **Section 5** – Proposed Budget 2020/21 – 2022/23
- **Section 6** – Budget robustness and review of risks and update on the planned application of reserves
- **Sections 7 and 8** - An update on the Investment Strategy and School Budgets
- **Section 9** – Council Tax Requirement and Statutory Calculations

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 not had to undertake public consultation on any of these budget proposals but targeted and specific consultation has been undertaken where relevant.

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

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 together with a review of budget proposals (13 November 2019)
 - Stage 2 – Two further sessions were held on 3 and 5 December 2019 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 27 January 2020 in the 'Overview and Scrutiny Review of the Executive's Draft Budget Proposals for 2020/21' report.
- 1.3.4 The Committee welcomed the balanced budget proposals for 2020/21 and were satisfied with the Council's plans for the year ahead. There were a number of areas where they would like further information and assurance and these areas have been identified for follow up during 2020/21, including:-
- Investment Management Strategy
 - Council Reserves
 - Breaking Down Silos
 - Service Transformation
 - Accommodation
 - Early Intervention and Prevention
 - Commissioning
 - Demand Led Services
- 1.3.5 The Executive's response to the Scrutiny Committee issues and recommendations can be found in a separate report on the Executive agenda.

2 FINANCIAL BACKGROUND

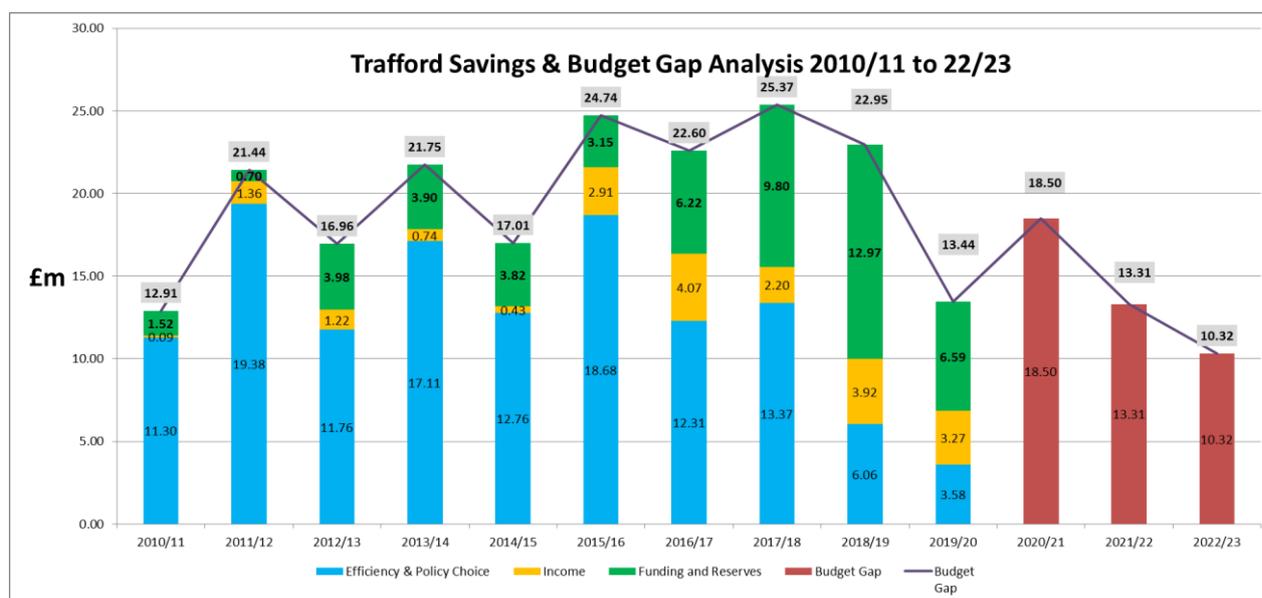
2.1 Background

2.1.1 Since 2010 the Government has reduced the funding for Local Government as part of its efforts to reduce the fiscal deficit by 29% from £28.1bn in 2010/11 to £19.8bn in 2020/21.

2.1.2 Alongside reductions in funding, local authorities have had to deal with growth in demand for key services, most notably adults 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.

2.1.4 This has meant that by 2020/21 the total value of budget gaps caused by the expenditure pressures and funding reductions since 2010/11 to 2019/20 is £199.1m. There is a further forecast gap for the next three years of £42.13m, of which £18.50m relates to 2020/21.



2.2 Spending Round 2020/21

2.2.1 The Chancellor announced the spending round on 4 September 2019 which included headline numbers for government departmental spending for 2020/21 and indicative three year allocations for schools. Whilst the plans provide local government with some useful numbers on which it can plan for 2020/21 they do not give any certainty in the medium term with a fuller spending review promised to be made later in 2020 when a multi-year spending review is expected to be announced.

2.2.2 The main headlines announced in the spending round included:

- Departmental spending to increase by 4.4% in real terms, whilst keeping within the government's fiscal rules.
- Social Care Grants that local authorities received in 2019/20 will continue in 2020/21
- An additional £1bn of grant funding will be distributed for social care in 2020/21 plus a further 2% adult social care precept (estimated £500m).
- A real-terms increase in the Public Health Grant and an inflationary increase in Revenue Support Grant.
- Authorities will be able to increase the Band D council tax up to 2% for the basic element and a further 2% for the Adult Social Care precept.

2.2.3 The outcome of consultation is still awaited on the basis of distribution of the additional social care grant although it is expected this will equate to additional social care funding of £5.175m in 2020/21 which will go some way to alleviate the spending pressures in this area. In addition the indexation of public health and revenue support grant is estimated to provide a further £451k of funding.

2.2.4 The Spending Round also announced a three year funding settlement for schools, High Needs and Early Years children. Nationally, additional funding provided will be £2.6bn in 2020/21, £4.8bn in 2021/22 rising to £7.1bn in 2022/23. It confirmed:

- An increase in per pupil funding for all schools in line with inflation in 2020/21 (1.8%) with a minimum per pupil amount of £3,750 for primary schools and £5,000 for secondary schools.
- Minimum rate per pupil for primary schools rising to £4,000 in 2021/22.
- Additional funding of £700m in 2020/21 for children with special educational needs
- Additional funding of £66m for Early Years
- Additional funding of £400m in 2020/21 for Further Education
- Confirmation that the government will continue to cover additional teachers pensions costs for schools
- Commitment to move towards a hard National Funding Formula for schools as soon as practical

2.2.5 **Fair Funding** - The Ministry of Housing, Communities and Local Government (MHCLG) has announced a delay in the fair funding review for local government, which will include a complete review of the relative needs and funding required by different councils to fund their services. The new methodology will now be effective from 2021/22.

2.2.6 **Business Rates** – Since 2017/18 Trafford has been part of the Greater Manchester 100% Business Rate Retention pilot and currently benefits from a significant level of business rate funding and growth to support its budget. An

announcement following the Spending Round has confirmed that the Pilot will continue in 2020/21 to the benefit of Trafford and the Greater Manchester area and that the full reset of business rates baselines, originally expected for 2020/21, being postponed until 2021/22. This is positive news for Trafford as any reset will put at risk the majority of the benefit the Council currently receives from business rates growth rewards. This potential reduction is factored into these projections from 2021/22.

2.2.7 The overall benefit from business rates growth supporting the Council's 2020/21 budget is £11.35m as detailed in Annex C.

2.2.8 However, there still remains uncertainty over the level of funding that will be available from 2021 due to the 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.

2.3 Local Government Provisional Finance Settlement

2.3.1 The 2020/21 Local Government Finance Settlement was announced on 20th December 2019. The headline funding measure used is called the Core Spending Power (CSP) which includes all the key funding streams available to a local authority including:-

- Settlement Funding Assessment (SFA) (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
- Social Care Grant

2.3.2 CSP will increase from £46.213bn to £49.142bn (6.34%) or a headline rate of 4.4%, after taking account of inflation, between 2019/20 and 2020/21.

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

Table 2: Core Spending Power	2019/20 £m	2020/21 £m
Settlement Funding Assessment	41.133	41.803
Section 31 BR compensation grants	1.168	1.460
Council Tax	99.500	104.988
Improved Better Care Fund (**)	7.037	7.983
New Homes Bonus	1.724	1.312
Rural Services Delivery Grant	0	0
Transition Grant	0	0
Social Care Support Grant (*)	1.616	0
Winter Pressures Grant (**)	0.946	0
Social Care Grant (*)	0	5.458
Total	153.123	163.003
% Increase		6.45%

* The Social Care Support Grant for 2019/20 has been rolled in to the Social Care Grant along with the additional £1bn of new resource for 2020/21 giving Trafford a total Social Care Grant of £5.458m

** The Winter Pressures Grant for 2019/20 of £0.946m has been rolled in to the Improved Better Care Fund in 2020/21

2.3.4 The increase for Trafford (6.45%) was slightly higher than the national average (6.34%) due to the increase in specific social care grants.

2.3.5 The Settlement confirmed the one year extension of the previous spending review with an inflationary increase in Revenue Support Grant (RSG) as detailed in the table below. This shows an increase in Revenue Support Grant, a component of SFA in the table above, of £0.085m, which impacts on the level of baseline funding retained by the Council (See Annex C). Since 2016/17 RSG has fallen by 77% from £22.989m to £5.385m.

2.3.6 At a headline level the provisional settlement reiterated the figures highlighted from the September spending round, however with the following changes:-

- New Homes Bonus £1.3m which is £0.4m worse than expected at the draft budget
- Minor inflationary adjustments on Business Rates worth £0.3m benefit
- Further consideration of the real terms increase in Public Health Grant will be clarified at Final Settlement. Our budget assumptions continue

to assume the real terms increase of +1% above inflation, as indicated in the September spending round.

- Confirmation of the continuation of Homelessness and Troubled Families funding in 2020/21.

2.3.7 The final settlement was announced on 6 February 2020 and confirmed the allocations announced at provisional settlement.

2.4 Council Tax

2.4.1 Whilst Council Tax in Trafford remains one of the lowest in the country and the second lowest in Greater Manchester, council tax revenues have in the past offered a fairly buoyant source of income due in part to the growth in the tax base. However the level of growth has been scaled back in our budget assumptions for 2020/21, in comparison with previous years, largely due to an increase in the percentage of new properties attracting single occupancy discounts. Tax base growth has been assumed at 0.5% for 2020/21, however it is forecast to increase at 1% in future years to reflect our investment in public realm which is expected to have the twin benefits of attracting more business whilst also making our town centres attractive places to live.

2.4.2 Taking these factors into consideration the Corporate Director of Finance and Systems, in accordance with her delegated powers, has approved a Tax Base of 77,386 Band D properties for 2020/21, an increase of 387 from 2019/20. The forward plans have an expectation of growth in council tax base of 0.5% for 2020/21 and 1.0% in each of 2021/22 and 2022/23.

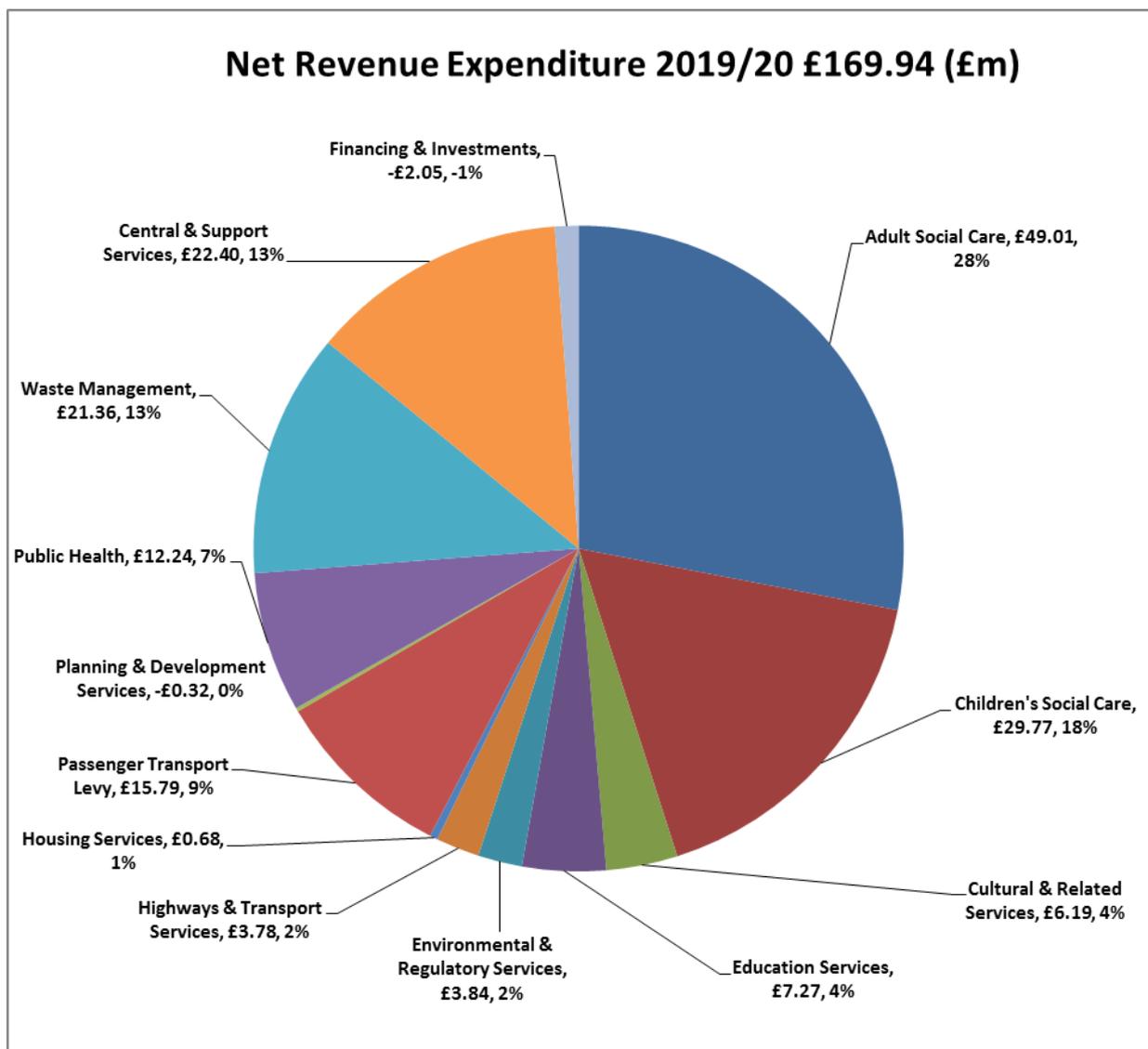
2.5 Summary

2.5.1 The Spending Round, coupled with the deferral of the fair funding review and reset of the business rate retention system, have provided some positive respite against the funding reductions encountered over the last ten years. Whilst they provide positive support for the budget for 2020/21 the impact of the business rate reset now planned for 2021/22 will reduce business rate funding by approximately £11m. This reduction in funding, together with an assumption around a government transitional protection scheme and growth in business rates post reset have been factored into the projections contained in this budget report.

3 2019/20 BASE BUDGET & MONITORING POSITION as at PERIOD 8 (November 19)

3.1 Base Budget 2019/20

3.1.1 The Council's current gross budget for 2019/20 is £478.25m however this includes specific funding of Dedicated Schools Grant and Housing Benefit. The Council's net controllable budget agreed by Council in February 2019 was £169.94m.



3.2 Revenue Budget Monitoring 2019/20 Period 8 (November 2019)

3.2.1. Delivery of the 2019/20 budget is critical to ensure that budget forecasting for future years can be done on a sound basis. The period 8 (November 2019) revenue budget monitoring report forecasts an underspend of £650k as follows:

Table 3: Budget Monitoring results by Service	2019/20 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	36,057	37,622	1,565	4.3%
Adult Services	48,772	50,285	1,513	3.1%
Public Health	11,778	12,417	639	5.4%
Place	34,862	35,385	523	1.5%
People	3,189	3,249	60	1.9%
Finance & Systems	7,535	7,449	(86)	(1.1)%
Governance & Community Strategy	7,852	7,804	(48)	(0.6)%
Total Directorate Budgets	150,045	154,211	4,166	2.8%
Council-wide budgets	19,892	15,076	(4,816)	(24.2)%
Net Service Expenditure variance	169,937	169,287	(650)	(0.4)%
Funding				
Business Rates (see para. 20)	(66,489)	(66,489)		
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)	(169,937)	0	0.0%
Net Revenue Outturn variance	0	(650)	(650)	(0.4)%
Dedicated Schools Grant	133,960	133,989	29	0.0%

3.2.2. The current in-year variations contain a number of items with those notable items listed below which has been considered in determining the budget proposals for 2020/21:

- **Children's Services** – there are a number of pressures in the current year including the response to the recent Ofsted inspection which has led to additional investment into certain aspects of the service, the continuing rise in demand and increasing cost of children's placements and home to school transport and a rise in staffing costs due to a policy of reducing the caseloads of individual social workers.
- **Adult Services** – whilst the Service is managing to maintain client numbers, the cost of individual care is placing a strain on in-year budgets caused by an increase in costs due to market conditions and also client complexity. Cost pressures are also being encountered on Public Health Community Services and the service continues to strive to undertake measures in-year to control expenditure in this area.
- **Place** – staff vacancies are helping to offset a downturn in a number of income streams, most notably some town centre ground rent income.

- **Central Services** (People, Finance and Systems and Governance and Community Strategy) – historically these service areas have helped mitigate the pressures in the demand-led services due to various savings in staffing costs due to staff turnover and additional income but pressure is being felt in these areas.
- **Council-wide budgets** – additional income from the Investment Strategy, dividend from Manchester Airport Group and a release of some contingency budgets have helped mitigate the in-year monitoring position.

3.2.3. Despite continuing efforts to control expenditure the Council is still seeing an increase in expenditure in social care caused by rising demand and cost of care. Amounts of £7.2m and £8.2m in children and adult social care respectively have been added to the budget in 2020/21; well in excess of the new resources made available by government.

3.2.4. These items above have been considered in developing the budget proposals for 2020/21 and later years.

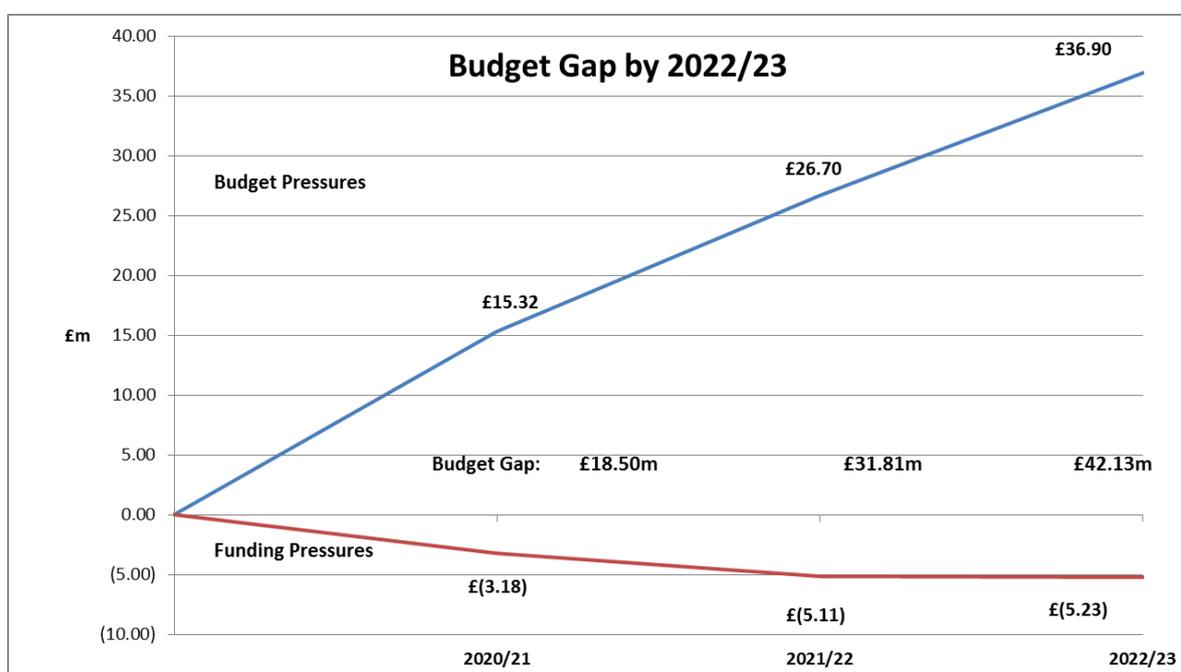
4 BUDGET UPDATES 2020/21 and MTFS 2021/23

4.1 This section identifies:-

- The overall budget gap for 2020/21 and later years and explains the changes since the draft budget was published in October 2019;
- How the budget gap has been closed for 2020/21.

4.2 Updated Annual Funding Position

4.2.1. The MTFS position reported to the Executive in the October 2019 Draft Budget report showed an overall budget gap for 2020/21 to 2022/23 of £31.67m, however due to the additional investment in Children's and Adult Services, the release of the provisional 2020/21 Local Government Finance Settlement, and updates to policies, assumptions and estimates, the budget gap for the three years has now increased by £10.46m to £42.13m, as shown in the chart below:



4.3 Updated Cost Pressures, Investment and Funding Summary

4.3.1. Budget Pressures: £36.90m

- An overall increase in cost pressures of £36.90m over the next three years, an increase of £9.0m 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 2.0% pay award. An impact of £5.13m over three years; an increase of £390k since draft budget.
- Living Wage: an allowance of £5.23m over the next three years has been provided, which covers projected increases in pay, for external care staff, based on the National Living Wage. This represents an increase of £0.69m since draft.
- Inflation: relates to non-staffing budgets and had included a general allowance of 2% per annum over the three years. A review of our inflation assumptions in 2020/21 will require inflation to be absorbed within existing budgets. However, a figure of £0.41m has been included for the subsequent two years. Other contractual inflation has been assumed totalling £6.62m over the next three years. No change since draft.
- Levies: a reduction of £0.21m over three years, including £1.02m since draft, largely from a reduction in the waste disposal levy. A local authority contribution may be required following the outcomes of the consultation on the proposed bus reforms. On the basis of the above Trafford Council's share would be £1.5m. An earmarked reserve has been established in our budget proposals and will be drawn down during 2020/21 if required.
- Demography/ Care Costs: The draft budget included an annual budget increase to reflect the increasing number of adults & children requiring social care of £8.50m over the next three years. A strategic review of investment in children's care costs has been undertaken and a focus will now be placed on early intervention and deflection from care through additional social work support which is expected to achieve savings in placement costs. Since the draft budget a further investment has been added to the budget of £1.61m, mainly due to a continuing rise in adult care costs. The investment in additional social workers is shown in Other investments below. The total additional investment in adults and children's social care in 2020/21 is £15.4m.
- New Income including Grants of £(4.99)m including an allowance of £(3.82)m for the Council's share of the additional social care funding of £1.0bn the Government is providing, continuation of Adult Social Care funding from 2019/20 of £(1.34m) and £(0.58)m indexation of the improved Better Care Fund (pending). The figure includes a reduction from the draft budget of £0.410m for New Home Bonus Grant largely as a result of Trafford's growth in domestic properties being proportionately less than the national average.
- Treasury Management: includes investment interest and borrowing costs, a reduction of £0.3m, which includes for additional investment income returns due to forecasted higher volumes of cash balances, in part offset by a pressure in 2021/22 due to forecast interest rates remaining low for a longer period due to the current economic uncertainties.
- Other: totalling £14.89m over three years, an increase of £7.54m from the draft budget. This growth includes

- Cost pressures of £4.8m relating to additional resources added to the Children's budget to cover additional salary cost and staffing requirements as part of an invest to save measure, an increase of £3.7m since draft. A further £2.25m over the next three years has been added since the draft budget to be held within Council Wide as a contingency item to cover against an increase in care costs should the invest to save measures in Children's Services not be achieved in full.
- £1.0m in Children's and Adult's Services after the loss of transformation funding, £0.98m pressures within Public Health and removal of £1m Public Health contingency held within Council Wide budget.
- £1.0m to baseline the costs of our Transformation Team.
- Also in 2020/21 includes reversals of prior year savings which were either one off in nature or coming to an end relating to Housing Benefit overpayment recovery £0.5m and Pension Fund advanced payment saving £0.76m and allowances for other minor service pressures and contingency items
- Since the draft budget £0.79m has been added for ICT costs relating to the migration to Office 365 and investment in additional security and compliance.

Overall increase in the estimate of budget pressures since the October draft budget is £9.00m of which £5.6m relates to 2020/21.

4.3.2. Estimated Funding Pressures for the period to 2022/23: £5.23m

Using the 2019/20 funding of £169.94m as the baseline, this is estimated to reduce to £164.71m over the next three years, resulting in a funding pressure of £5.23m. This is a change of £1.46m since draft, largely due to a reduction in the assumptions in growth of our Council Tax base of £0.3m and early indications of the changes in Fairer Funding Review £1.0m. The main feature in the funding pressures relates to the assumptions surrounding the reset of the Business Rates Growth Pilot which was scheduled for 2020/21 but has now been deferred until 2021/22 and the assumptions on Council Tax base as detailed below:

- **Council Tax:** The total estimated increase in income over the three year period due to changes in tax-base is £1.19m (adjusting for the use of collection fund surpluses in 2019/20), a slight reduction of £0.3m from draft due to the lowering of our estimates on growth in tax base. This comprises a 0.5% allowance in 2020/21 (previously 0.75%) and 1% per annum for the following two years estimated growth in the number of properties. The 2020/21 figure has been marginally reduced to reflect a higher than expected take up of property discounts being experienced in the current financial year. These assumptions on growth will increase the Council Tax base in each of the next three years and generate approximately £0.5m in 2020/21 and £1.0m per annum in the following two years.

- The release of prior years' accumulated surplus will contribute an additional £1.216m on a one off basis in 2020/21.
- **Business Rates:** The total estimated reduction in Business Rates over three years is estimated at £2.94m. This figure includes a number of assumptions relating to the reset of the baselines and the transitional protection the Government may offer. In summary the loss of £11.3m from the reset of Business Rates and the one off distribution of prior year surplus in 2019/20, will be offset by an assumed reset transitional protection scheme. We are assuming there will be a protection scheme post reset which protects, on a tapering basis, on the entirety of our benefit including the 100% pilot retention scheme. In addition we estimate that following a national reset £1.3bn of business rate growth will then be redistributed through the new fair funding formula; this represents approximately £3.9m of additional funding for the Council based on current distribution methodologies. Indexation on our Baseline Funding and an assumed post reset growth will generate £1m in both years. Full details of which are shown in Annex C with a summary in the table below.
- **Fairer Funding Review:** The Government has acknowledged that the review of the mechanism for the distribution of resources under the Fairer Funding Review will be delayed until autumn 2020. Early modelling of the changes being considered in the provisional consultation issued in 2019 indicated that the Council may see a reduction in resources over the medium term of between £0.5m and £1m. As a precaution these figures have been built into our medium term forecast since the draft budget.
- **Budget Support Reserve:** In 2019/20 there was a one-off contribution from the reserve; the removal of this creates a funding pressure in 2020/21 of £2.624m.

4.3.3. At the draft budget the total benefit from Business Rates for 2020/21 was estimated at £65.26m, a reduction of £1.23m from 2019/20. The estimated benefit from Business Rates has been updated to £65.53m as a result of the provisional settlement, representing an improvement of £270k. The improvement consists of updates to the national inflation factor used to increase the small business rate multiplier and indexation of compensation grants. As part of the exercise to review the robustness of our budget assumptions, the forecast rateable value has been adjusted downwards to reflect the latest in-year forecasts and anticipated growth in properties during 2020/21. In order to maintain our budgeted expectations, this shortfall has been offset from a one off contribution from the Business Rates Risk Reserve to the tune of £0.64m in 2020/21.

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

Table 4: Benefit from Business Rates	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
Core Baseline Funding	35,834	36,418	37,147	37,890
Revenue Support Grant	5,299	5,385	5,385	5,385
Public Health Grant	12,064	12,381	12,381	12,381
Total Baseline Funding Level (BFL)	53,197	54,184	54,913	55,656
Business Rates Growth	13,292	11,347	85	87
Assumptions on Transitional Protection			8,256	6,803
Assumption on Growth Post Reset			1,000	1,000
Business Rates Benefit over BFL	13,292	11,347	9,341	7,890
Total Benefit from Business Rates	66,489	65,532	64,253	63,546
Yearly Change				
Change in BFL		987	728	743
Change in Business Rates Benefit		(1,944)	(2,006)	(1,450)
Yearly Change		(957)	(1,278)	(707)

Loss in Business Rates over period £0.957+£1.278+£0.707 = £2.94m

4.3.4. 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.

Table 5: Movement in Gross Budget Gap Draft to Final	2020/21 £000's	2021/22 £000's	2022/23 £000's	Total £000's
Gross Budget Gap at Draft Budget	12,956	10,238	8,471	31,665
Total Changes to Budget Assumptions (see Annex B for detail)	5,584	2,085	1,336	9,005
Changes to Funding				
Changes to Council Tax (base and prior 19/20 estimated surplus)	226	42	15	283
Impact of Fairer Funding assumptions	0	500	500	1,000
Changes to Business Rate provisional settlement	(267)	446	1	180
Total Changes to Funding (Non Policy Choice)	(41)	988	516	1,463
Revised Gross Budget Gap (Feb 20)	18,499	13,311	10,323	42,133

4.4 How the Budget Gap Has Been Met 2020/21

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

Table 6 : Summary of the Budget Proposals	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Revised Gross Budget Gap (Feb 20)	18,499	13,311	10,323	42,133
Policy Choice Funding Proposals				
Adult Social Care Precept increase 2%	(2,000)	(2,188)	(2,327)	(6,515)
General Increase in basic Council Tax to 1.99%	(1,978)	(1,986)	(2,083)	(6,047)
Contribution from Budget Support Reserve	(616)	616	0	0
Contribution from Budget Support Reserve (Children's Invest to Save measures)	(3,850)	3,850	0	0
Total Policy Choice Funding	(8,444)	292	(4,410)	(12,562)
Savings and Income proposals *	(10,055)	1,408	(255)	(8,902)
Revised Budget Gap (Feb 20)	0	15,011	5,658	20,669

(*) Full details are included in Annex D

4.4.2. A summary of the changes since the Draft Budget Report in October 2019 which included a remaining gap of £720k are summarised as follows with more specific detail given in Annex B

Table 7: Movements Since Draft Budget	2020/21 £000's	2021/22 £000's	2022/23 £000's	Total £000's
Budget Gap (Oct 19)	720	9,906	5,351	15,977
Changes to Budget Assumptions	5,584	2,085	1,336	9,005
Changes to Funding (Non Policy Choice)	(41)	988	516	1,463
Additional Savings and Income Proposals	(2,397)	(1,834)	(1,545)	(5,776)
Contribution from Budget Support Reserve	(3,866)	3,866		0
Revised Gap	0	15,011	5,658	20,669

An explanation of the changes to Budget Assumptions/ Pressures and Funding (Non Policy Choice) are referred to above at 4.3.1 and 4.3.2 with full details shown in Annex B.

The major changes to Savings and Income Proposals totalling £(2.397)m in 2020/21, are summarised below with full details in Annex B.

New Savings and Income Proposals and Policy Choice Adjustments

- Additional Investment Interest £(1.0)m
- Children's Services (placement and demography savings) £(1.2)m
- Other £(0.2)m

Changes to Funding (Policy Choice)

- The figure of £(3.866)m relates to the use of the Budget Support Reserve to balance the 2020/21 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 2020/21.

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 2020/21
- b) to allow Local Authorities to increase their Council Tax by less than 2% without the need to hold a referendum i.e. allow a 1.99% general increase in the 'relevant basic amount'. This budget report includes for a 1.99% increase in 2020/21 and a further 1.99% increase in 2021/23.
- c) Continue the flexibility offered on the use of the 'adult social care precept' by 2% and this has been included in the funding assumptions for 2020/21 and later years.

4.4.4. **Therefore the budget for 2020/21 includes proposals for an overall increase in the level of Council Tax of 3.99%:**

- 1.99% general increase in the 'relevant basic amount' and
- 2% for the 'Adult Social Care' precept

5 PROPOSED 2020/21 BUDGET and 2021/23 MTF5

- 5.1 The proposed net budget for 2020/21 is £175.203m an increase in the net budget of £5.266m or 3.09%, from £169.937m. Full subjective and objective summaries providing a breakdown of the 2020/21 net budget of £175.203m can be found in Annexes E & H.
- 5.2 Whilst the budget gap has now been closed for 2020/21 the size of the challenge over the following two years remains significant. For that reason the budget process for 2021/22 will, as in previous years, commence immediately after the approval of the 2020/21 budget such that sufficient time is afforded to consider all options at an early stage, to ensure robust savings and income proposals can be developed in order to bridge the budget gap in future years as shown below.

Table 8: The 2020-23 Budget Gap	February 2020		
	2020/21 £000's	2021/22 £000's	2022/23 £000's
Net Budget b/fwd	169,937	175,203	187,986
<u>Budget Pressures</u>			
Pay	2,312	1,434	1,379
Living Wage	2,161	1,570	1,500
Inflationary	0	202	207
Contractual Obligations	2,181	2,205	2,232
Levies	(753)	211	335
Social Care Demographic	4,649	2,821	2,642
Grants, Legislative & Service Transfers	(4,643)	4	0
Loss of Income	0	(350)	0
Treasury Management	(798)	500	0
Other	10,212	2,778	1,904
Total Budget Pressures	15,321	11,375	10,199
<u>Approved Budget Proposals</u>			
Income	(6,122)	2,418	745
Efficiencies & Policy Choice	(3,933)	(1,010)	(1,000)
Total Approved Budget Proposals	(10,055)	1,408	(255)
Net Budget	175,203	187,986	197,930

Budget Forecasts	2020/21 £000's	2021/22 £000's	2022/23 £000's
<u>Funding:</u>			
Council Tax	(103,990)	(109,221)	(114,715)
Council Tax Prior Year Collection Fund (Surplus)/Deficit	(1,216)	0	0
Business Rates: Local Share	(150,195)	(153,758)	(156,833)
Business Rates: Tariff Payment	96,011	98,845	101,177
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot, Transitional Protection	(11,347)	(9,341)	(7,890)
Fairer Funding Assumptions		500	1,000
Funding	(170,737)	(172,975)	(177,261)
<u>Movements in Reserves:</u>			
Cont. from Budget Support Reserve	(4,466)		
Movements to/(from) Reserves	(4,466)		0
Cumulative Revised Budget Gap	0	15,011	20,669
Annual Revised Budget Gap	0	15,011	5,658

6 ROBUSTNESS, RISKS & RESERVES

6.1 Robustness and Risks

6.1.1. 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.

6.1.2. 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.

6.1.3. 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.

6.1.4. 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)

6.1.5. In reviewing the robustness of the Council's budget proposals use has been made of some key Cipfa publications around good financial management, prudential property investment and financial resilience. A key concern for the Council continues to be its low level of reserves.

6.2 Reserves

6.2.1. In August 2019, a new reserves policy was developed which set out the methodology for the creation, classification, review and approval process for the use of reserves to enable a more corporate approach to be taken, ensuring reserves are aligned to the Council's priorities over the medium term.

6.2.2. Under the Local Government Act 2003, the Corporate Director of Finance and Systems is required to prepare a report, for use when the Council is deciding its annual budget and council tax, on the robustness of the budget and the adequacy of the Council's reserves. It is for this reason that it is recommended that this Reserves Policy is reviewed on a bi-annual basis as part of the draft and final budget process and supplemented with regular review as part of the monitoring and financial closedown process. This will ensure the judgements on the adequacy of reserves are informed and remain appropriate particularly in relation to the potential impact of new risks and financial challenges faced by the Council. The key features of the revised policy are set out below.

6.3 Classification

6.3.1. For ease of management, reserves have been grouped into six categories as follows:-

- **Budget Resilience and Smoothing Reserves** - earmarked reserves linked to the financial resilience of the Council, for example being able to respond to unexpected demand pressures
- **Strategic Priority Reserves** - earmarked reserves linked to the Council's priorities over the medium term financial plan
- **Corporate Reserves** - statutory and ring fenced reserves
- **Reserves Linked to Service Area Priorities** - earmarked reserves linked to the Council's transformational change and service area priorities
- **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. These will not be considered as part of the Reserves Policy.
- **Schools Reserves** - represent the carry forward balances of individual school surpluses and deficits along with the accumulated balance of DSG grant. Individual school balances will not be considered as part of the Reserves Policy.

6.4. Balances

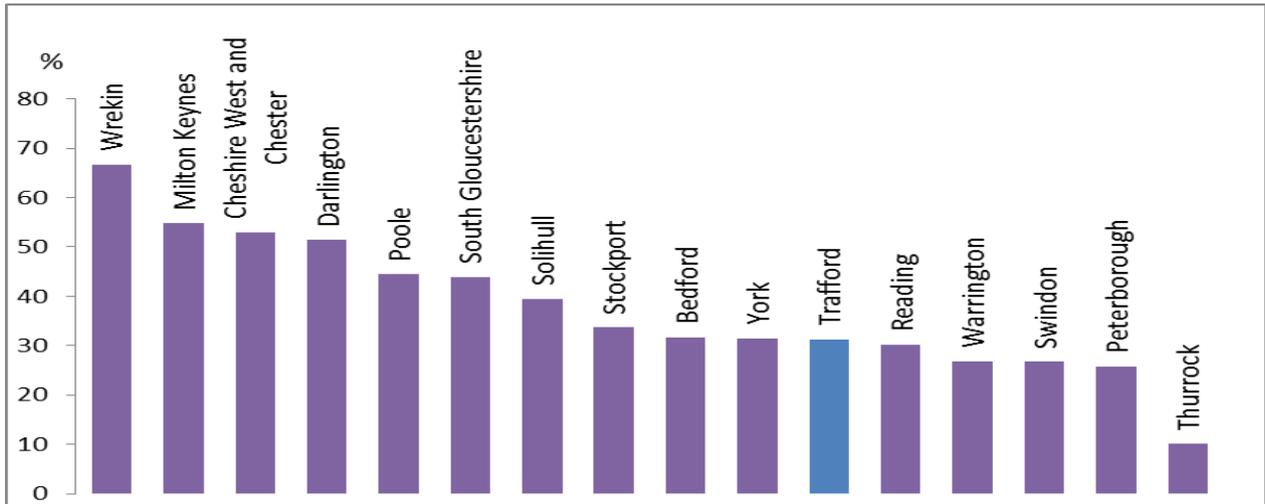
6.4.1. The Council usable reserves at 31st March 2019 stood at £72.34m, of which £49.79m relates to Earmarked revenue reserves as shown below, along with their projected usage over 3 years including the current financial year.

Table 9 :	Opening Balance 1/4/19	Est Balance 1/4/2020	Est Balance 1/4/2021	Est Balance 1/4/2022
Usable Reserves	£m	£m	£m	£m
Budget Resilience and Smoothing	25.32	21.93	14.89	14.75
Strategic Priority	7.55	5.88	5.55	4.94
Corporate	2.52	0.34	0.71	0.71
General Reserve	7.00	7.00	7.00	7.00
Service Area Priorities	7.40	0.77	0.28	0.00
Earmarked Reserves	49.79	35.92	28.43	27.40
Capital Related Reserves	11.99	11.26	8.04	5.90
School Related Reserves	10.56	10.56	10.56	10.56
Total Usable Reserves	72.34	57.74	47.03	43.86

6.4.2. The Council's overall budget plans include for a total estimated drawdown from reserves of £10.71m, of which £3.22m is from capital related reserves required to support the capital programme. This leaves £7.49m of planned use of other earmarked reserves of which the significant items are as follows:-

- **Budget Support Reserve £4.5m** – required to balance the 2020/21 budget plans, of which £3.8m is supporting the Children's invest to save measures.
- **Business Rate Risk Reserve £0.6m** – to offset the decline in business rate funding predicted in 2020/21 due to erosion of the rateable value caused by temporary and permanent deletions from the rating list.
- **Bus Reform Reserve £1.5m** – this is required to cover the Council's potential contribution to the costs of bus reform in Greater Manchester pending the outcome of consultation.

6.4.3. In respect of the recently published Financial Resilience Index (FRI) by Cipfa the Council's reserve levels as a percentage of net revenue expenditure are deemed a high risk due to their relatively low level compared to statistical neighbours, therefore priority is to replenish reserves when the opportunity arises. In terms of the rate of use of reserves the FRI shows the Council to be low risk due to the level of contributions to reserves in recent years.



6.4.4. The balance and proposed commitments against each reserve are shown in detail in Annex F & G and the following paragraphs summarise the salient features of the main reserves.

➤ **Budget Resilience and Smoothing - Budget Support Reserve**

This reserve was established in 2015/16 to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term. Each year the Council faces unavoidable base budget pressures relating to pay, general inflation and demographic growth of which is offset by an assumed level of growth in Council Tax, leaving a net budget pressure. It is recommended as a minimum that the budget support reserve be maintained at a level of 50% of the net pressure.

Given the use of reserve in 2020/21 of £4.5m this one-off amount compounds the budget gap in 2021/22; therefore it is proposed to rationalise and review existing reserves so that the current policy of maintaining the level at 50% of the net budget gap, i.e. £7.5m can be achieved by:-

- Review of Airport Dividend Reserve (£2.7m released – see below)
- Review Business Rate Risk Reserve (£2.0m released – see below)
- Expected refund from the Waste Authority which is expected in 2019/20, which in part will be ring-fenced to support the Council's potential contribution for bus reform in 2020/21, leaving £1.2m available.

Including the adjustments above the estimated balance on the reserve increases to £8.8m at 31/3/20. Of this £4.5m will be applied to support the budget in 2020/21 leaving a balance of £4.3m, a shortfall £3.2m on the required target. Further work will be undertaken over the next couple of months to take account of any budget outturn savings and also include a full review of service area priority reserves.

➤ **Budget Resilience and Smoothing - Manchester Airport Dividend Reserve**

This is a reserve set aside in the event of an economic downturn or other event which affects the performance of the Airport and future dividends. Whilst

the current policy states an amount equivalent to 50% of the usual level of annual dividend is set aside. In recent years, the size of annual dividend received has exceeded the budgeted level (in 19/20 by £1.3m). Given this headroom it would seem prudent to reduce the reserve to 10% of the estimated annual dividend, i.e. £550k based on the 2020/21 budget. This would release £2.7m from the reserve to the Budget Support Reserve.

➤ **Budget Resilience - Business Rate Risk Reserve**

This 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. The balance at the end of 2019/20 is expected to stand at £7.201m and following a planned application of £642k in 2020/21 to support a decline in rateable values that has occurred in 2019/20, a balance of £6.558m is forecast at the end of 2020/21. This balance was held to offset the impact of the planned business rate reset but given MHCLG are planning a transitional protection scheme it is expected the full balance will not be required. It is recommended that £2m be transferred to Budget Support Reserve, leaving £4.5m in the event the transitional protection scheme is not as beneficial as assumed.

➤ **Strategic Priority - Strategic 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 will accumulate a sufficient balance over a period of time to absorb these risks. The level of this reserve will be reviewed annually to reflect the balance of risk on the investment portfolio. It is anticipated to stand at £3.1m by the end of 2021/2022.

➤ **Strategic Priority - Transformation and Transformation Match Funding**

Monies allocated from Greater Manchester Health and Social Care Partnership for the transforming of health and social care services. This money can only be used on the activities that were laid out in the Transformation programme and some of this money will be allocated to the CCG for their share of programme costs.

➤ **Strategic Priority - Leisure Centre Refurbishment**

This reserve was created to absorb the risks associated with the Council's leisure centre redevelopment plans. The potential risks include such items as, underwriting the reduction in operational income during the rebuilding phase, variations in build costs, and changes to assumptions on interest and inflation rates.

➤ **Strategic Priority - Children's Action Fund**

A new reserve of £1.5m was established in 2019/20 for investment in Children's Services following the recent Ofsted inspection. It is anticipated that this will be drawn down during 2019/20.

➤ **Corporate Reserves - General Reserve**

The Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure. In February 2019, Council agreed to set the minimum level of the General Fund Reserve at £7.00m as recommended by the Corporate Director of Finance and Systems.

6.5. Reserves Linked to Service Area Priorities

6.5.1. The rationale for these reserves is to provide funding to deliver Service Area priorities outside of the MTFP which are largely one off in nature or the timing of delivery cannot be determined accurately.

6.5.2. The revised Reverses Policy clarifies that the commitment to create, review and spend these reserves will need to be supported by Corporate Leadership Team as and when required throughout the year in order to confirm that they remain in line with the Council's broad strategic priorities. As such, details of these reserves are now included within the regular budget monitoring cycles throughout the year. Details of each reserve balance and commitment within this category is shown in Annex G. As referred to above a full review of these balances and commitments will be undertaken with a view to replenishing the Budget Support Reserve.

6.6. GENERAL RESERVE

6.6.1. General Reserve: the Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure. In February 2019 Council agreed to set the minimum level of the General Fund Reserve at £7.00m as recommended by the Corporate Director of Finance and Systems. It is recommended for 2020/21 that this level be maintained at £7.0m with some of the significant reasoning behind this decision set out below:-

- The level of gross income receivable from the Asset Investment Strategy will exceed £17m in 2020/21 and whilst full due diligence has been undertaken for each investment there is still a risk to this income stream. A specific earmarked investment strategy risk reserve is being built up and is estimated to stand at £1.3m at the end of 2019/20. Until this reserve gets to a meaningful level, an allowance included in the general reserve in 2019/20 will be maintained at current levels.
- Adults services is currently facing the potential for backdated client costs as a result of ordinary residence claims, whereby the care costs of care are met by the authority where the client generally resides. The cases can be complex and drawn out and costs hard to predict. A new allowance has been included in the general reserve as a precaution to cover claims exceeding the level of contingency held within the Adults Services budget.
- Council Tax risk – A separate Collection Fund reserve holds previous years' accumulated surpluses from the Council Tax Collection Fund. This reserve was previously used to manage the risk of in year

fluctuations of the Council Tax budget, however a review of our legislative requirements attached to this reserve has required the full balance to be released to the general fund. An allowance has therefore been made in the general reserve to replace this Council Tax Collection Fund reserve should we experience a significant in year shortfall in Council Tax income.

- The Council is still including for some significant levels of income in 2020/21 for business rates and a contingency was included in the General Reserve to cover the scenario if rates income drops significantly which would also supplement the Business Rate Risk Reserve. The level of contingency held within the general reserves has been maintained at similar levels to 2019/20.

Table 10: Advised minimum level of General Reserve	2020/21 £m
Tax & Treasury Management	0.05
Pay & inflation	1.13
Fees and Charges	0.19
Emergency & Disaster Recovery	1.07
Efficiencies	1.74
Demand led budgets	2.00
Other Pressures	0.96
Funding Risk	3.47
TOTAL	10.61
Risk reduction of 34%	-3.61
Advisory level of minimum reserve	7.00

6.7. Summary

- 6.7.1. 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.
- 6.7.2. Members' attention is drawn to the statement by the Corporate Director of Finance and Systems attached at Annex I, which should be taken into account before approving the budget together with the comments made in paragraphs below.
- 6.7.3. In determining the budget for the forthcoming year there are important decisions about the use of reserves, and given the uncertainty surrounding 2021/22, reserve levels have been reviewed, however further work around Service Area Priority Reserves will be undertaken to provide a cushion in 2021/22.

6.7.4. The planned use of £4.5m of general reserves to support the budget is a one-off source of funding and therefore the budget gap in 2021/22 increases by this amount.

7 INVESTMENT STRATEGY

7.1. Background

7.1.1. During 2018/19 and 2019/20 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.

7.1.2. The Asset Investment Strategy is currently under review to reflect market conditions and carbon neutrality aspirations and will be brought back to Executive in March.

7.1.3. Based on the latest monitoring position £355m has been committed from the budget of £400m. It is proposed to increase this to £500m, supported by prudential borrowing, to support the approach with specific focus on supporting direct investment and regeneration schemes within the Borough; with any decision to utilise the new borrowing to be agreed with the Executive or the Investment Management Board, as appropriate, on a case by case basis.

7.1.4. The Strategy is operated within the latest MHCLG and CIPFA prudential 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.

7.2. Coverage

7.2.1. 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)**

8 SCHOOLS FUNDING & BUDGETS 2020/21

8.1. Background

8.1.1. Schools are funded from a ring-fenced grant called the Dedicated Schools Grant (DSG) which cannot be used for any other Council function. Schools operate within their own fund with any under or over spend being taken forward into future years. There are four blocks within the DSG:-

- **Schools Block (SB)** – funds schools’ budgets - this includes £75m for academies.
- **Central Schools Services Block (CSSB)** – reflects the ongoing local authority role and is reducing year by year.
- **High Needs Block (HNB)** – which primarily supports Special Educational Needs (SEN) expenditure. This includes £13m to fund Trafford Special Schools.
- **Early Years Block (EYB)** - which funds educational provision for 2 to 5 year olds in both Schools and Private, Voluntary and Independent (PVI) settings.

8.1.2. DSG allocations for 2020/21 were announced in December and whilst a further revision will be made to reflect a high needs deduction made by the Education Skills and Funding Agency (ESFA) and an import/export adjustment, at this stage they indicate a £11.956m increase on 2019/20.

Table 11 DSG Allocations	2019/20 (£m)	2020/21 (£m)	Difference (£m)
Schools Block	162.829	171.944	9.115
Central School Services Block	1.546	1.513	(0.033)
High Needs Block	26.723	29.278	2.555
Early Years Block	17.506	17.825	0.319
Total	208.604	220.560	11.956

8.1.3. The increase in the Schools Block is due to:-

- Pupil number increases of 106 in the primary sector and 389 in the secondary sector;
- A per pupil increase for each school in 2020/21 in line with inflation (1.84%) through the National Funding Formula (NFF) compared to the 2019/20 baseline;
- All of the key factors in the NFF have been increased by 4%; and
- The minimum funding per pupil levels have increased to £3,750 for all primary schools and £5,000 for all secondary schools.

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

- A higher funding floor set at 8%;
- A higher limit on formula gains set at 17%; and
- Increased funding through the remaining factors.

8.1.5. The increase in the Early Years Block is due to the hourly rate for 2 year olds and 3 & 4 year olds increasing by 8p.

8.2. Summary Position 2019/20

8.2.1. The latest monitoring position reflected in the period 8 budget monitor indicated a £29k over spend in 2019/20.

Table 12 P8 monitoring	2019/20 Budget (£m)	2019/20 Expected Outturn (£m)	Difference (£m)
Schools Block	161.964	161.986	0.022
Central School Services Block	1.546	1.553	0.007
High Needs Block	27.588	27.588	0
Early Years Block	17.506	17.506	0
Total	208.604	208.633	0.029

8.2.2. The level of central DSG reserve at 1 April 2019 was £2.305m and whilst some is ring-fenced to support specific expenditure, the balance was to support the investment/pressures in the High Needs budget in future years.

Table 13 Analysis of reserves	Reserves (£m)
Reserve as at 31st March 2019	2.305
Growth Fund	(0.097)
De-delegation	(0.396)
Early Years	(0.300)
Remaining Reserve (for High Needs Block)	1.512

8.3. High Needs Block (HNB)

8.3.1. There have been significant pressures within the HNB in recent years due to:-

- Financial pressures in the Schools block;

- Numbers of Education and Health Care Plans (EHCPs) have continued to increase;
- The needs of many pupils are becoming more complex;
- The requirement to fund 0-25 years from 0-19 years was not funded;
- Policy changes to accountability, curriculum and testing have made inclusion in mainstream increasingly difficult for many learners; and
- LAs are required to make provision for all pupils permanently excluded from school but have little power to reduce exclusions.

8.3.2. The main budget assumptions and their financial impact over the next three year period indicate expenditure pressures of £3m:-

- 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 (£1.15m);
- Continued increase in the level of SEN delegation payments to schools (1.13m);
- Increased costs of home tuition for those pupils unable to attend school (£0.1m);
- Increase cost of out of borough placements caused by increasing complexity (£0.45m);
- Inflationary cost increases on out of borough placements, pay, running costs of the additional small specialist class and other small adjustments (£0.5m); and
- 2% inflation has been assumed and added to the grant allocation for future years.

8.3.3. Trafford is part of several lobbying groups both nationally and regionally who have been lobbying for additional funding into the HNB. This has been successful in securing additional funding which has helped address the funding gap that had originally been forecast and is shown in the table below.

Table 14	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Required HNB budget	28.470	29.556	30.646
Provisional HNB grant	29.278	29.864	30.461
(Surplus)/Deficit	(0.808)	(0.308)	0.185

8.3.4. The increase in Trafford's grant allocation in 2020/21 is sufficient to cover the increase in expenditure pressures in 2020/21 and allow headroom which will have a positive impact on the reserve as shown below and can be earmarked to finance measures which will reduce the pressure on the high needs block in future years.

Table 15	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Usable reserves brought forward	1.512	1.543	2.351	2.659
Movements in year	0.031	0.808	0.308	(0.185)
Useable reserves remaining	1.543	2.351	2.659	2.473

8.4. Budget allocations 2020/21

8.4.1. A more detailed analysis of the budget allocations for 2020/21 is provided in the table below:-

Table 16 DSG Allocations & Budget 2020/21	(£m) budget	(£m) allocation
<u>Schools Block Budget</u>		
Allocated to schools	171.944	171.944
<u>High Needs Block Budget</u>		
Special Schools	12.908	
Sensory Impairment	1.200	
Speech Therapy	0.213	
SEN	5.701	
Out of Borough	6.593	
Notional SEN Contingency	0.427	
Behaviour & Attendance	0.336	
PRU's	1.092	
Contribution to DSG Reserve	0.808	29.278
<u>Early Years Block Budget</u>	17.825	17.825
<u>Schools Central Services</u>	1.513	1.513
Total	219.752	220.560

8.5. Future Changes – National Funding Formula (NFF)

8.5.1. A National Funding Formula (NFF) was introduced in 2018/19 the aim of which was to create a level playing field by creating a national formula with a single set of values for each of the factors relating to pupil and school characteristics. The intention was that when fully implemented, there would no longer be different sums of money received by schools with similar pupil profiles. However this hasn't materialised as every school's starting point is very different as a result of historic individual local formulae decided by local authorities (LAs) with floors and protections in place.

8.5.2. The introduction of a hard formula was to take place in 2020/21 after 2 years of a soft formula, however this has been delayed by a further year. The soft formula involves the Education Skills and Funding Agency (ESFA) applying the national formula values to individual schools' data and aggregating the allocations at LA level. They then add funding for historic spending factors which currently sit outside the NFF. LAs receive the total funding as a Schools Block allocation and distribute it between schools using a local formula.

Academy General Annual Grant (GAG) is also based on the local formula. Trafford Schools' Funding Forum opted to mirror the NFF as a local formula in 2018/19.

- 8.5.3. The hard formula means that the ESFA will calculate and distribute allocations directly to all schools and academies using the NFF. In the government's recent spending review it was announced that there is still the intention to move to a hard formula.
- 8.5.4. However, there are still some big challenges to overcome before this could be implemented, for example the LA's co-ordinating role, historic spend factors and transitional arrangements.

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 2020/21 Council Tax Requirement will be as follows:

Calculation of Council Tax Requirement & Relevant Basic Amount of Council Tax 2020/21	£
Service Budget	
Gross Expenditure	
Service expenditure	478,730,975
Gross Income	
Fees, charges and specific grants	(303,527,627)
Service Area Net Budget	175,203,348
Financing Budget	
Retained Business Rates Baseline	(54,184,267)
Business Rates (Growth & S31 Grants)	(10,704,514)
Business Rates Prior Years accumulated (Surplus)/Deficit	4,915,710
Contribution from Business Rate Deficit Reserve	(4,915,710)
Contribution from Business Rate Risk Reserve	(642,817)
Distribution of Collection Fund surplus (Council Tax)	(1,215,991)
Application of Budget Support Reserve (BSR)	(4,466,000)
Financing Net Budget	(71,213,589)
Council Tax Requirement	103,989,759
Council Tax Base in Band D's	77,386
Relevant Basic Amount of Council Tax	£1,343.78

9.1.3 The Corporate Director of Finance and Systems in accordance with her delegated powers approved the 2020/21 Trafford Council Tax Base (number of equivalent Band D properties in the borough) on 18 January 2020 at 77,386, which is a growth of 387 Band D equivalents on 2019/20. The 2020/21 Council Tax Base for each of the four Parish Councils was also approved as: Partington 1,573, Dunham Massey 230, Warburton 166 and Carrington 125.

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 2020/21 a figure of 4% has been set, which is a combination of the core principle of 2% and the ‘adult social care precept’ of 2%.

9.2.2 As highlighted elsewhere in this report, it is proposed to raise the level of council tax in 2020/21 by 3.99%:

- 1.99% general increase in the ‘relevant basic amount’, and
- 2.0% for the ‘Adult Social Care’ precept.

9.2.3 The calculation of the percentage change in “Relevant Basic Amount of Council Tax”, for Trafford Services is shown below :

	2019/20	2020/21
Council Tax Base	76,999	77,386
Council Tax Requirement with Levies (£)	99,499,648	103,989,759
Basic Amount of Council Tax (£) (excluding Social Care Precept)	1,200.20	1,225.92
Social Care Precept	92.02	117.86
Relevant Basic Amount of Council Tax	1,292.22	1,343.78
% increase in Relevant Basic Amount of Council Tax	3.99%	3.99%

9.2.4 It is proposed to increase the ‘relevant basic amount’ of Council Tax by 3.99%, which is within the 4% figure set by Government in 2020/21 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.

9.2.5 Of the two major precepting bodies, the Mayoral Police & Crime Commissioner is recommending a £10.00 increase in their Band D precept and the Mayoral General Precept (including Fire Services) is proposing an increase of £14.00 on their Band D precept.

9.2.6 Partington Town Council, at its meeting on 6 January 2020, elected to increase the level of Band D Council Tax by £9.54 from £42.50 in 2019/20 to £52.04 in 2020/21. Carrington Parish Council, at its meeting on 17 December 2019, elected to set a Band D Council Tax of £30.00 in 2020/21. However,

Dunham Massey and Warburton Parish Councils have both agreed not to set a Precept in 2020/21.

9.3 Council Tax Levels and Bandings

9.3.1 The overall Precepts and Council Tax levels for 2020/21 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')	103,989,759	1,343.78	3.99%
Mayoral Police and Crime Commissioner (see note)	16,119,504	208.30	£10.00/ 5.04%
Mayoral General Precept (including Fire Services) (see note)	7,038,257	90.95	£14.00/ 18.19%
Total (excluding Parishes)	127,147,520	1,643.03	4.82%
Partington Precept	81,859	52.04	22.45%
Total for Partington		1,695.07	5.29%
Carrington Precept	3,750	30.00	N/A
Total for Carrington		1,673.03	6.73%

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 14th February 2020.

9.3.3 The council tax for 2020/21, inclusive of the 'adult social care precept', for each of the eight valuation bands would be as follows:

Band	Valuation range (in 1991 prices)	Council Tax (Excl. Parishes) £	Council Tax for Partington £	Council Tax for Carrington £
A	Up to £40,000	1,095.34	1,130.03	1,115.34
B	Over £40,000 and up to £52,000	1,277.90	1,318.38	1,301.23
C	Over £52,000 and up to £68,000	1,460.46	1,506.72	1,487.13
D	Over £68,000 and up to £88,000	1,643.03	1,695.07	1,673.03
E	Over £88,000 and up to £120,000	2,008.14	2,071.74	2,044.81
F	Over £120,000 and up to £160,000	2,373.26	2,448.43	2,416.59
G	Over £160,000 and up to £320,000	2,738.37	2,825.10	2,788.37
H	Over £320,000	3,286.06	3,390.14	3,346.06

BASE BUDGET ASSUMPTIONS

Base Budget Assumptions	2020/21 £m	2021/22 £m	2022/23 £m
Service Expenditure			
Pay: Inflation	2.0%	2.0%	2.0%
	£1.39	£1.37	£1.38
Pay: Living Wage	£2.16	£1.57	£1.50
General Inflation: Prices *	0.0%	2.0%	2.0%
	£0.00	£0.20	£0.21
Contractual Obligations: Inflation Specific e.g. energy	£2.18	£2.21	£2.23
Levies: Waste (GMWDA) Levy Increase	£(0.75)	£0.21	£0.34
Demographics/Care Costs: Children	£1.25	£0.87	£0.64
Adults	£3.40	£1.95	£2.00
Treasury Management			
Investment Rates	0.97%	1.20%	1.45%
Debt Rates (based on 25 years)	3.48%	3.78%	4.05%
Funding			
Council Tax rate increase (Adult Social Care)	2.00%	2.00%	2.00%
Council Tax rate increase (Relevant Basic Amount)	1.99%	1.99%	1.99%
Council Tax base increase	0.50%	1.00%	1.00%
Change in Baseline Funding Level :-			
Baseline Funding (Core) %	1.63%	2.00%	2.00%
Baseline Funding (Core) £m	£0.58	£0.73	£0.74
Baseline Funding (RSG) %	1.63%	0.00%	0.00%
Baseline Funding (RSG) £m	£0.09	£0.00	£0.00
Baseline Funding (PH) %	2.63%	0.00%	0.00%
Baseline Funding (PH) £m	£0.32	£0.00	£0.00

* - General Inflation in 20/21 was assumed at 2%, however will be absorbed as part of proposed budget saving.

Budget Movements & Proposals: Draft Budget Oct 19 to Final Feb 20

MOVEMENTS & PROPOSALS	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
REVISED BUDGET GAP AT DRAFT (Oct19)	720	9,906	5,351	15,977
Changes in cost of Microsoft Office 365 and Additional Security	(97)	287	0	190
Living Wage	639	48	0	687
Removal of Traded Services Subsidy (re-classed as Income target)	483	120	0	603
Loss of Income (Schools Insurance)	180	0	0	180
Revenue costs ICT low code solution (cap bid)	0	300	0	300
Waste Levy	(979)	(292)	(165)	(1,436)
Home to School Transport	62	0	0	62
Children's Services Salary Costs (P6)	171	0	0	171
Children's Services Invest to Save	2,899	479	(205)	3,173
Demographic Pressure Children reduced re staff investment	(300)	0	0	(300)
Increase in General Contingency (re Children Demographic)	750	750	750	2,250
Demographic Pressure Adults	1,200	0	0	1,200
Pay and Pension All Service Areas	(42)	130	130	218
Loss of car park income at Regent Rd and Brown St	0	(236)	320	84
Reduction in New Home Bonus (provisional settlement)	412	0	0	412
Fair Price of Care	200	450	500	1,150
Change in Treasury Mgt Assumptions	(200)	0	0	(200)
Other changes in Budget Assumptions	206	49	6	261
CHANGES TO BUDGET ASSUMPTIONS	5,584	2,085	1,336	9,005
Reduce Council Tax Taxbase to 0.50% from 0.75%	255	13	15	283
Impact of Fair Funding Review on Baseline Funding		500	500	1,000
Adjustment in Bus Rates Prov Settlement	(267)	267		0
Reduction Bus Rates in RV (part of Robustness exercise)	643	(643)		0
One off Contribution from Bus Rates Risk Reserve (to meet above)	(643)	643		0
Council Tax surplus previous year's final adjustment	(29)	29		0
Business Rates indexation adjustments to Baseline future years		179	1	180
CHANGES TO FUNDING (NON POLICY CHOICE)	(41)	988	516	1,463

MOVEMENTS & PROPOSALS	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Contribution from Budget Support Reserves	(3,866)	3,866		0
CHANGES TO FUNDING (POLICY CHOICE)	(3,866)	3,866	0	0
Reversal of proposal to extend the hours of operation of on-street parking	30			30
Environmental Health income saving – remove £5k from 21/22		5		5
Increase in borrowing cost Investment Property	111			111
New Investment Strategy Debt Arrangement	(1,100)	(500)	(200)	(1,800)
Traded Services offset pay/contract inflation with income (Catering and Cleaning)	(483)	(120)	(120)	(723)
Traded Services offset pay/contract inflation with income (non-Catering and Cleaning)	0	(219)	(225)	(444)
Assumptions on Treasury Mgt Interest was income saving	200			200
CHANGES TO INCOME PROPOSALS	(1,242)	(834)	(545)	(2,621)
Return on Advanced Pension Payment reduced 1.2% to 1% and savings on actuals	32			32
Children's Placements	(1,200)	(1,000)	(1,000)	(3,200)
10% Reduction in running costs Central Services adjustment	13			13
CHANGES TO SAVINGS PROPOSALS	(1,155)	(1,000)	(1,000)	(3,155)
TOTAL CHANGES TO INCOME AND SAVINGS PROPOSALS	(2,397)	(1,834)	(1,545)	(5,776)
REVISED BUDGET GAP (Feb 20)	0	15,011	5,658	20,669

Business Rates Retention GM Pilot

Annex C

Business Rates Benefit Calculation 2019/2020 to 2022/2023

	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Gross Rates Payable	184,114,380	186,028,108	191,613,948	195,363,731
Transitional Adjustments and Mandatory & Discretionary Reliefs	(18,530,213)	(19,231,360)	(19,278,834)	(19,664,411)
NET RATES PAYABLE	165,584,167	166,796,748	172,335,113	175,699,321
Accounting Adjustments (Appeals & BDP) & Cost of Collection	(10,028,942)	(10,742,245)	(13,277,073)	(13,538,091)
NNDR Income	155,555,225	156,054,503	159,058,040	162,161,230
Local Share	153,999,672	154,493,958	157,467,460	160,539,618
Tariff	(94,589,988)	(96,010,529)	(98,844,824)	(101,177,043)
Retained Business Rates	59,409,684	58,483,429	58,622,636	59,362,575
Baseline Funding Level (BFL)	53,196,876	54,184,267	54,912,630	55,655,560
Growth	6,212,808	4,299,161	3,710,006	3,707,015
SAICA Renewable Energy	81,648	82,944	84,947	86,646
Section 31 Compensation Grants	10,501,619	10,832,326	10,392,124	10,675,956
National Levy Rebate	549,761	0		
Growth/(Decline) to Baseline	17,345,836	15,214,431	14,187,077	14,469,616
GM Pilot 'No Detriment' Over Payment	(10,470,846)	(9,019,836)	(8,789,346)	(8,932,590)
GM Pilot 'No Detriment' Over Payment Rebate	5,235,423	4,509,918	4,394,673	4,466,295
Business Rates Benefit over BFL	12,110,413	10,704,513	9,792,404	10,003,321
Release of Prior Year Surplus/ (Collection of Deficit)	1,181,215	(4,915,710)		
Contribution from reserves		5,558,527		
Business Rates Growth Reset			(9,707,457)	(9,916,675)
Business Rates Growth	13,291,628	11,347,330	84,947	86,646

Total Benefit from Business Rates

Table 5: Benefit from Business Rates	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
Core Baseline Funding	35,834	36,418	37,147	37,890
Revenue Support Grant	5,299	5,385	5,385	5,385
Public Health Grant	12,064	12,381	12,381	12,381
Total Baseline Funding Level (BFL)	53,197	54,184	54,913	55,656
Business Rates Growth (detail above)	13,292	11,347	85	87

Assumptions on Transitional Protection			8,256	6,804
Assumption on Growth Post Reset			1,000	1,000
Business Rates Benefit over BFL	13,292	11,347	9,341	7,891
Total Benefit from Business Rates	66,489	65,532	64,253	63,546
Yearly Change				
Change in BFL		987	728	743
Change in Business Rates Benefit		(1,944)	(2,006)	(1,450)
Yearly Change		(957)	(1,278)	(707)

Total reduction in Business Rates -£957k - £1,278k - £707k= £2,942k

Income & Savings Proposals 2020/23

Theme/Title	Service Area	Status(New/Existing)	2020/21 £000's	2021/22 £000's	2022/23 £000's	Description of Saving
Fundamentally Reshaping Our Services						
Children's Placements	Children's	New	(1,200)	(1,000)	(1,000)	Investment in early intervention estimated to reduce the forecast demographic growth and therefore placement costs
Person Centred (Reshaping)	Adults	New	(301)			Continuation and roll out of the let's talk and right care for you approach to promote independence and support better outcomes
Liberty Protection Safeguards (LPS)/Portal (Reshaping)	Adults	New	(200)			The implementation of the LPS scheme and a whole system portal which will drive through efficiencies and costs savings.
Sub-Total			(1,701)	(1,000)	(1,000)	
Be More Commercial						
New Investment Income	Place	New	(5,020)	2,824	1,090	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.
Car Parking	Place	New	(114)			Car Parking - additional enforcement and reduced cashless parking transaction contract costs
Environmental Health - Increase Income from HMO Licences	Place	Existing	(5)			Income already being received above current budget – e.g. HMO licences, (costs recoverable from third parties).

Early Repayment of Suppliers Discount	CW	Existing	(10)	(10)	0	Review of procedures around invoice payments to maximise potential of supplier discounts
Traded Services - 5 % price rises planned 19/20 and 20/21 (catering and cleaning)	Central	New	(483)	(339)	(345)	Smoothing of price levels to fully recover National Living Wage costs
New Strategic Investment	CW	Existing		(67)		Loan interest receivable from strategic investments
Sub-Total			(5,632)	2,408	745	
Delivering More of Our Own Services						
LD supported living	Adults	New	(122)			To maximise the current service capacity within the in-house Supported Living Service.
Legal advocacy - in house	Central	New	(50)			Efficiency saving from reduced use of external providers
Increase in income from our strategic investments	CW	Existing	(500)			Additional dividend from our strategic investments
Sub-Total			(672)	0	0	
Health and Social Care Integration						
Homecare Pilot	Adults	New	(619)			A number of pilots which will trial new ways of working, supporting positive outcomes for service users with financial benefits for the Council
Market Management	Adults	New	(68)			Pursuing alternative purchasing arrangements with providers.
Review of Children's Placements	Children's	New	(315)			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

Sub-Total			(1,002)	0	0	
Other Corporate Efficiencies						
Insurance premium saving	CW	New	(50)			A reduction in the cost of council insurance premiums
Exchequer billing costs - move to online	Central	Existing	(80)			Reduction in printing, stationery and postage costs already being achieved
Review of grounds maintenance	Place	New	(40)			Reduced grounds maintenance and promotion of wildflower areas
10% reduction in running costs	All	New	(237)			A reduction in non-contractual general running cost budgets
Advance Pension Payment	CW	Existing	(725)			A saving generated in pension contributions payable to GM Pension Fund as a result of paying contributions up-front
Voluntary Sector Grants - use of smoothing reserve in 2019/20 - Reversal	Central	Existing	100			Reversal of one-off use of reserves in 2019/20
Coroners Saving Toxicology Contract	CW	New	(16)			Contractual savings
Sub-Total			(1,048)	0	0	
Grand Total			(10,055)	1,408	(255)	

2020/21 Subjective Budget Analysis

	CHILDREN £000's	ADULTS £000's	PLACE £000's	GOV AND CS £000's	FINANCE & SYSTEMS £000's	PEOPLE & TRADED £000's	COUNCIL- WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
NET BUDGET Brought Forward	36,081	60,526	34,862	7,840	7,483	3,205	19,940		169,937
<u>Budget Pressures :</u>									
Pay	883	262	213	141	154	264	395		2,312
Living Wage	24	2,037	100	0	0	0	0		2,161
General Inflation	0	0	0	0	0	0	0		0
Contractual Inflation & Obligations	294	871	806	27	42	141	0		2,181
Levies	0	0	(479)	0	0	0	(274)		(753)
Demographics/ Care Costs/ Social Worker	1,249	3,400	0	0	0	0	0		4,649
Grants, Legislative & Service Transfers	0	(5,757)	0	0	0	0	1,114		(4,643)
Loss of Income	0	0	0	0	0	0	0		0
Treasury Management	0	0	0	0	0	0	(798)		(798)
Policy Choice Investment	0	0	0	0	0	0	0		0
Other	4,999	1,409	428	95	1,242	232	1,807		10,212
Total Budget Pressures	7,449	2,222	1,068	263	1,438	637	2,244		15,321
<u>Budget Savings</u>									
Income Generation	0	0	(119)	0	0	(483)	(5,520)		(6,122)
Savings Proposals Efficiencies & Policy Choice	(1,605)	(1,343)	(69)	10	(109)	(16)	(801)		(3,933)
Total Approved Budget Proposals	(1,605)	(1,343)	(188)	10	(109)	(499)	(6,321)		(10,055)
PROPOSED NET BUDGET	41,925	61,405	35,742	8,113	8,812	3,343	15,863	0	175,203

	CHILDREN £000's	ADULTS £000's	PLACE £000's	GOV AND CS £000's	FINANCE & SYSTEMS £000's	PEOPLE & TRADED £000's	COUNCIL- WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
Funding:									
Council Tax								(100,000)	(100,000)
Council Tax - 1.99% General Increase								(1,990)	(1,990)
Council Tax - 2% Adult Social Care Increase								(2,000)	(2,000)
C Tax Prior Year Collection Fund (Surplus)/Deficit								(1,216)	(1,216)
Business Rates: Local Share								(150,195)	(150,195)
Business Rates: Tariff Payment								96,011	96,011
Business Rates: Growth Assumptions, S31 Grants, GM Pilot								(11,347)	(11,347)
Funding Total								(170,737)	(170,737)
PROPOSED FUNDING								(170,737)	(170,737)
<u>Additional Use of Reserves:</u>									
Budget Support Reserve								(4,466)	(4,466)
Movement in Reserves Total								(4,466)	(4,466)
FUNDING FROM RESERVES								(4,466)	(4,466)
BUDGET GAP									0

Details of Reserves by Category

CATEGORY	RESERVE NAME	BALANCE AT 31st MARCH 2019	TOTAL COMMITTED 19/20 to 21/22 £000	BALANCE AFTER COMMITMENT (UNDER)/ OVER £000	TOTAL TRANSFERS 19/20 to 21/22 £000	REVISED BALANCE £000
Budget Resilience	MAG Dividend	(3,283)	0	(3,283)	2,733	(550)
Budget Resilience	Budget Support	(5,484)	5,890	406	(4,733)	(4,327)
Budget Resilience	Bus Reform	0	0	0	0	0
Budget Resilience	Business Rate Growth Pilot Reserve (Trans to BR Risk)	(3,776)	0	(3,776)	3,776	0
Budget Resilience	Business Rate Risk Reserve	(5,000)	2,218	(2,782)	(1,776)	(4,558)
Budget Resilience	Insurance Reserve	(1,870)	0	(1,870)	0	(1,870)
Budget Resilience	Earmark Gen - Employment Rationalisation	(1,444)	0	(1,444)	444	(1,000)
Budget Resilience	Housing Benefit Overpayment Reserve	(427)	227	(200)	0	(200)
Budget Resilience	High Needs Support Reserve	(572)	104	(468)	468	0
Budget Resilience	Timperley Sports Club Synthetic Pitch	(63)	(45)	(108)	0	(108)
Budget Resilience	Earmark Gen - Legal Expenses	(178)	178	0	0	0
Budget Resilience	Earmark Gen - Local Search Litigation Costs Settlement	(100)	100	0	0	0
Budget Resilience	Earmark Gen - Civic vehicle reserve	(32)	32	0	0	0
Budget Resilience	Smoothing - Waste Levy	(1,075)	736	(339)	0	(339)
Budget Resilience	Smoothing - Winter Maintenance	(120)	0	(120)	0	(120)
Budget Resilience	Smoothing - Elections	(247)	247	0	0	0
Budget Resilience	Smoothing - Interest Rate	(1,291)	(282)	(1,573)	0	(1,573)
Budget Resilience	Exchequer Services Reserve	(185)	185	0	0	0
Budget Resilience	Members IT Reserve	(70)	70	0	0	0
Budget Resilience	EU Exit Funding Reserve	(105)	0	(105)	0	(105)
Sub-Total Budget Resilience		(25,322)	9,660	(15,662)	912	(14,750)
Strategic Priority	Investment Fund	0	0	0	0	0
Strategic Priority	Transformation Fund	(943)	943	0	0	0

CATEGORY	RESERVE NAME	BALANCE AT 31st MARCH 2019	TOTAL COMMITTED 19/20 to 21/22 £000	BALANCE AFTER COMMITMENT (UNDER)/ OVER £000	TOTAL TRANSFERS 19/20 to 21/22 £000	REVISED BALANCE £000
Strategic Priority	Transformation Fund Match Funding Reserve	(4,154)	4,154	0	0	0
Strategic Priority	Strategic Investment Fund Risk Reserve	(189)	(2,924)	(3,113)	0	(3,113)
Strategic Priority	Leisure Centres Refurbishment Reserve	(150)	(600)	(750)	(518)	(1,268)
Strategic Priority	Children's Action Fund Reserve	(1,500)	1,500	0	0	0
Strategic Priority	Major Projects Reserve Abortive costs and DSG Academy Trans	(609)	522	(87)	(468)	(555)
Sub-Total Strategic Priority		(7,545)	3,595	(3,950)	(986)	(4,936)
Corporate	NDR Deficit Reserve	(1,040)	1,041	1	0	1
Corporate	NDR Levy Reserve	(550)	550	0	0	0
Corporate	Star Procurement Earmarked Reserve	(711)	227	(484)	0	(484)
Corporate	Planning Income Reserve	(222)	0	(222)	0	(222)
Corporate	Prepaid Rev Grants Res (IFRS)	0	0	0	0	0
Corporate	General Reserve	(7,000)	0	(7,000)	0	(7,000)
Sub-Total Corporate		(9,523)	1,818	(7,705)	0	(7,705)
Service Area Priority	Earmark Gen - ICT Development	(299)	482	183	(183)	0
Service Area Priority	Economic Development Earmark Gen - Libraries and Customer Services Reserve	(844)	844	0	0	0
Service Area Priority	Earmark Gen - Vol Sec Grants Reserve	(106)	106	0	0	0
Service Area Priority	Earmark Gen - Community Safety	(222)	148	(74)	74	0
Service Area Priority	Earmark Gen - LAA Performance Reward Grant	(337)	337	0	0	0
Service Area Priority	One Trafford Partnership Reserve	(115)	115	0	0	0
Service Area Priority	Sports Partnership Reserve	(2,106)	2,106	0	0	0
Service Area Priority	Earmarked Service C/fwd CFW	(145)	145	0	0	0
Service Area Priority	Earmarked Service C/fwd PLACE	(764)	764	0	0	0
Service Area Priority	Earmarked Service C/fwd PLACE	(739)	739	0	0	0
Service Area Priority	Earmarked Service C/fwd CENTRAL	0	0	0	0	0
Service Area Priority	Earmarked Service C/fwd CENTRAL	0	0	0	0	0
Service Area Priority	Earmarked Service C/fwd G & CS	(62)	62	0	0	0

CATEGORY	RESERVE NAME	BALANCE AT 31st MARCH 2019	TOTAL COMMITTED 19/20 to 21/22 £000	BALANCE AFTER COMMITMENT (UNDER)/ OVER £000	TOTAL TRANSFERS 19/20 to 21/22 £000	REVISED BALANCE £000
Service Area Priority	Earmarked Service C/fwd F & S	(669)	486	(183)	183	0
Service Area Priority	Earmarked Service C/fwd P & TS	(613)	613	0	0	0
Service Area Priority	Traded Services Reserve	(383)	383	0	0	0
Sub-Total Service Area Priority		(7,404)	7,330	(74)	74	0
SUB-TOTAL Earmarked Reserves		(49,794)	22,403	(27,391)	0	(27,391)
	Capital Related Reserves	(11,994)				
	School Related Reserves	(10,559)				
	SUB-TOTAL	(22,553)				
	TOTAL USABLE RESERVES	(72,347)				

Service Area Priority Reserves Programme

Council Priority	Commitment Type	Directorate	Scheme Title	Plan £	2019/2020 £	2020/2021 £	2021/2022 £
Successful & Thriving Places	Contingency	Place	Masterplan and Feasibility to Support the Asset Investment Strategy	232,360	98,360	67,000	67,000
Successful & Thriving Places	Base Budget	Place	Commission Affordable Housing Needs Assessment (to support GMSF work) - use LDF(in reserves)	12,688	12,688	0	0
Successful & Thriving Places	Contractual	Place	Sale Moor and Hale Place Plan	47,357	47,357	0	0
Successful & Thriving Places	Contractual	Place	Trafford Wharfside Development Framework	20,000	20,000	0	0
Successful & Thriving Places	Contractual	Place	Partington Masterplan	20,000	20,000	0	0
Successful & Thriving Places	Contractual	Place	GMSF Evidence base and examination costs	111,284	111,284	0	0
Successful & Thriving Places	Contractual	Place	GMSF Technical and Feasibility Assessments	43,414	43,414	0	0
Successful & Thriving Places	Ring Fenced Grant/Bid	Place	Town Centre Initiatives	74,231	74,231	0	0
Successful & Thriving Places	Base Budget	Place	Trafford Local Plan	46,085	46,085	0	0
Successful & Thriving Places	Statutory	Place	Local Plan Examination 2020/21	150,000	0	150,000	0
Successful & Thriving Places	Contingency	Place	Trafford Local Industrial Strategy	30,000	30,000	0	0
Successful & Thriving Places	Base Budget	Place	Temporary Support to Outdoor Media Income	41,619	41,619	0	0
Successful & Thriving Places	Contractual	Place	Empress car park fly tipping removal	10,000	10,000	0	0
Successful & Thriving Places	Contingency	Place	Environmental Improvement Works - Sale Water Park	16,434	16,434	0	0
Successful & Thriving Places	Base Budget	Place	Interim Staff Costs - One Trafford Partnership	331,236	331,236	0	0

Council Priority	Commitment Type	Directorate	Scheme Title	Plan £	2019/2020 £	2020/2021 £	2021/2022 £
Successful & Thriving Places	Base Budget	Place	Interim Staff Costs - Building Control	43,350	43,350	0	0
Successful & Thriving Places	Ring Fenced Grant/Bid	Place	Pedestrian Crossing Surveys (Match Funding of TFGM Bid - Cycleways)	52,299	52,299	0	0
Successful & Thriving Places	Capital Programme	Central Services	Libraries ICT and other capital improvements	106,303	106,303	0	0
Successful & Thriving Places	Contingency	Central Services	Voluntary Sector Grants Programme	147,627	47,627	50,000	50,000
Successful & Thriving Places	Base Budget	Central Services	Locality Board Initiatives	15,463	15,463	0	0
Successful & Thriving Places	Base Budget	Central Services	One off support to the 19/20 revenue budget from LAA Performance Reserve	100,000	100,000	0	0
Successful & Thriving Places	Contractual	Place	Residential and Commercial developments - Highway S37/38 fees	165,653	165,653	0	0
Successful & Thriving Places	Capital Programme	Place	Residential Parking Schemes	500,000	500,000	0	0
Successful & Thriving Places	Contractual	Place	MUFC Traffic Mgt	100,000	100,000	0	0
Successful & Thriving Places	Contingency	Place	Maintenance of Public Conveniences	104,061	104,061	0	0
Successful & Thriving Places	Base Budget	Central Services	Invest to Save/income generation business cases re Arts Centre	1,000	1,000	0	0
Successful & Thriving Places	Contractual	Central Services	GMSS Firewall Licence renewal	42,000	42,000	0	0
Successful & Thriving Places	Contractual	Central Services	GMSS Recruitment Interface	16,000	16,000	0	0
Successful & Thriving Places	Contractual	Central Services	On-line consultation portal (Citizen Space)	15,990	15,990	0	0
Successful & Thriving Places	Contractual	Central Services	Capital Project Support	57,500	57,500	0	0
Successful & Thriving Places	Ring Fenced Grant/Bid	Central Services	iTrent licences for changes to pension processing and Contact 360 development	80,337	80,337	0	0
Successful & Thriving Places	Base Budget	Central Services	HR restructure - 1 year support	100,000	100,000	0	0
Successful & Thriving Places	Base Budget	Central Services	Communications apprentice	12,000	12,000	0	0

Council Priority	Commitment Type	Directorate	Scheme Title	Plan £	2019/2020 £	2020/2021 £	2021/2022 £
Successful & Thriving Places	Base Budget	Central Services	Flixton House marketing manager and other temporary base budget support	57,332	57,332	0	0
Successful & Thriving Places	Contingency	Central Services	Staff/training commitments (RIF funding c/f 18/19)	79,625	79,625	0	0
Successful & Thriving Places	Contingency	Central Services	Continuing Training Programmes	65,000	65,000	0	0
Successful & Thriving Places	Base Budget	Central Services	EBP system developments inc Front line scanning solution	97,889	97,889	0	0
Successful & Thriving Places	Base Budget	Central Services	GMSS ICT update charge	50,268	50,268	0	0
Successful & Thriving Places	Base Budget	Central Services	Financial Management Temporary base budget support	237,510	79,170	79,170	79,170
Successful & Thriving Places	Contingency	Place	LED conservation areas	3,000	3,000	0	0
Successful & Thriving Places	Contractual	Place	Transformation and Modernisation	350,000	350,000	0	0
Successful & Thriving Places	Contingency	Central Services	Apprenticeship Programme	84,178	84,178	0	0
Successful & Thriving Places	Contingency	Central Services	Graduate Training Programme	36,090	36,090	0	0
Successful & Thriving Places	Base Budget	Central Services	GMSS Apprentice	23,000	23,000	0	0
Successful & Thriving Places	Contingency	Central Services	Banking costs to future years	4,218	4,218	0	0
Sub-Total Successful & Thriving Places				3,934,401	3,392,061	346,170	196,170
Children and Young People	Base Budget	Traded Services	Support from reserves smoothing re base budget subsidy	238,840	238,840	0	0
Children and Young People	Contractual	Traded Services	Food costs - Brexit impact	144,416	144,416	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	Legal Aid, Sentencing and Punishment of Offenders (LASPO)	3,381	3,381	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	New Burdens Grant - s31 Extended Personal Adviser	12,228	12,228	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	National Children's Bureau	29,472	29,472	0	0

Council Priority	Commitment Type	Directorate	Scheme Title	Plan £	2019/2020 £	2020/2021 £	2021/2022 £
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	Early Adopters Grant	35,000	35,000	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	Frontline Social Workers Grant	18,810	18,810	0	0
Children and Young People	Base Budget	Childrens Services	Education Welfare Service - bridging monies until restructure implemented	40,000	40,000	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	Reform Investment Fund for Stronger Families	607,561	607,561	0	0
Sub-Total Children and Young People				1,129,708	1,129,708	0	0
Building Quality, Affordable and Social Housing	Contractual	Place	Commission Private Sector Housing Stock Condition Survey	16,603	16,603	0	0
Sub-Total Building Quality, Affordable and Social Housing				16,603	16,603	0	0
Green & Connected	Capital Programme	Central Services	Funding of ICT Capital Projects and Modernisation	482,279	165,856	158,423	158,000
Green & Connected	Contractual	Place	William Wroe options appraisal	10,000	10,000	0	0
Green & Connected	Ring Fenced Grant/Bid	Place	Greenspace Masterplan (Longford Park and Bollin Valley)	21,176	21,176	0	0
Green & Connected	Ring Fenced Grant/Bid	Place	District Heating network match funding	19,800	19,800	0	0
Green & Connected	Contingency	Place	Environmental Improvement Works - Sale Water Park	53,023	53,023	0	0
Green & Connected	Contingency	Place	Environmental Improvement Works - William Wroe	32,212	32,212	0	0
Green & Connected	Contractual	Place	Flood management plan	46,050	46,050	0	0
Green & Connected	Statutory	Place	Tree Inspections and Mtce (Parks and Open Spaces)	71,218	71,218	0	0
Green & Connected	Contractual	Place	Trio bins in parks etc.	98,005	98,005	0	0
Green & Connected	Contractual	Place	Keep Britain Tidy - one off performance monitoring	18,000	18,000	0	0
Green & Connected	Contractual	Place	Fly tipping removal KPI to 10 days trial	6,970	6,970	0	0
Green & Connected	Contractual	Place	Garden waste bin	200,000	200,000	0	0

Council Priority	Commitment Type	Directorate	Scheme Title	Plan £	2019/2020 £	2020/2021 £	2021/2022 £
			replacements				
Green & Connected	Base Budget	Place	Recycling Initiatives	303,000	303,000	0	0
Green & Connected	Contingency	Place	GM Clean Air Plan Contingency	20,000	20,000	0	0
Green & Connected	Contingency	Place	One Off Removal of Waste in Parks	90,000	90,000	0	0
Green & Connected	Contingency	Place	Allotments Initiatives	46,004	46,004	0	0
Green & Connected	Base Budget	Place	Bikeability and Road Safety Initiatives	21,427	21,427	0	0
Green & Connected	Contingency	Place	Carbon Neutral Study	39,000	39,000	0	0
Sub-Total Green & Connected				1,578,164	1,261,741	158,423	158,000
Pride in Our Area	Contractual	Place	Partington Environmental Improvement Works	14,100	14,100	0	0
Pride in Our Area	Contractual	Place	Aeration Project Salford Quays contribution	12,065	12,065	0	0
Pride in Our Area	Contractual	Place	Halecroft Park works	15,310	15,310	0	0
Pride in Our Area	Contractual	Place	Community Initiatives	10,000	10,000	0	0
Pride in Our Area	Contractual	Central Services	Community Safety Case Management System	21,000	15,000	3,000	3,000
Pride in Our Area	Contractual	Central Services	Good Gym Project - Gyms in Parks	12,753	12,753	0	0
Pride in Our Area	Ring Fenced Grant/Bid	Central Services	Community Safety Projects	212,123	212,123	0	0
Pride in Our Area	Base Budget	Central Services	Data Lab staff support - funded from ring fenced transparency grant	66,123	66,123	0	0
Pride in Our Area	Contingency	Place	Commercial Property - Statutory Energy Ratings	12,000	12,000	0	0
Pride in Our Area	Ring Fenced Grant/Bid	Central Services	Behaviour Change Programme	24,571	24,571	0	0
Sub-Total Pride in Our Area				400,045	394,045	3,000	3,000
Health and Wellbeing	Contingency	Place	Environmental Improvement Works - Sale Water Park	8,000	8,000	0	0

Council Priority	Commitment Type	Directorate	Scheme Title	Plan £	2019/2020 £	2020/2021 £	2021/2022 £
Health and Wellbeing	Base Budget	Place	Funding for Sports Relationship Manager to 31/3/21	110,353	55,177	55,177	0
Health and Wellbeing	Ring Fenced Grant/Bid	Place	Active Aging Programme with age UK in Partington	29,415	29,415	0	0
Health and Wellbeing	Ring Fenced Grant/Bid	Place	Local Pilot (Sport England)	5,363	5,363	0	0
Health and Wellbeing	Contingency	Central Services	Continuing Training Programmes	40,000	40,000	0	0
Health and Wellbeing	Contractual	Adults Services	Good Gym	10,000	10,000	0	0
Health and Wellbeing	Contractual	Adults Services	Urgent Care Control Team	4,000	4,000	0	0
Health and Wellbeing	Unknown to be classified	Adults Services	Autism Innovation costs	4,000	4,000	0	0
Health and Wellbeing	Statutory	Central Services	Legal Contingency re DOLS	60,937	60,937	0	0
Sub-Total Health and Wellbeing				272,068	216,892	55,177	0
Sub-Total Contingency				0	0	0	0
Grand -Total All Projects				7,330,989	6,411,049	562,770	357,170

2020/21 Objective (Service) Budget Analysis

Annex H

SERVICE EXPENDITURE ANALYSIS	Net Budget 2019/20 (£'000)	Proposed Net Budget 2020/21 (£'000)	Movement (£'000)
Children's Service			
Children with Complex and Additional Needs	1,366	1,383	17
Commissioning	1,518	1,558	40
Children's Social Services	24,372	28,548	4,176
Education and Early Years' Service	6,200	6,433	233
Early Help Delivery Model	1,012	1,351	339
First Response	1,455	2,414	959
Youth Offending Service	158	238	80
DSG	0	0	0
Children's Service Sub-Total	36,081	41,925	5,844
Adults Service (incl. Public Health)			
Client Costs	49,509	54,847	5,338
BCF and Other Grants	(13,959)	(19,428)	(5,469)
Assistive Equipment and Technology	1,002	1,001	(1)
Social Care Activities - Care Management	10,317	10,589	272
Commissioning and service delivery	1,879	2,280	401
Public Health	11,778	12,116	338
Adult Service Sub-Total	60,526	61,405	879
Place			
One Trafford Partnership	15,859	17,030	1,171
Street Lighting Energy	839	868	29
Media Advertising	(816)	(817)	(1)
Waste Disposal Levy	16,171	15,695	(476)
Strategic Management	661	662	1
Economic Growth & Planning	1,927	2,104	177
Public Protection & Enforcement	473	504	31

SERVICE EXPENDITURE ANALYSIS	Net Budget 2019/20 (£'000)	Proposed Net Budget 2020/21 (£'000)	Movement (£'000)
Parking Services	(1,100)	(1,167)	(67)
Strategic Support Services	848	863	15
Place Sub-Total	34,862	35,742	880
Governance and Community Strategy			
Legal & Democratic Services	2,878	2,923	45
Access Trafford	2,939	3,045	106
Partnerships and Communities	1,632	1,633	1
Arts and Culture	584	710	126
Directorate Wide Efficiency -G&CS	(193)	(198)	(5)
Governance and Community Strategy Sub-Total	7,840	8,113	273
Finance and Systems			
Finance Services	5,172	5,224	51
ICT Services	2,498	2,777	279
Transformation	0	1,000	1,000
Directorate Wide Efficiency -F&S	(187)	(189)	(2)
Finance and Systems Sub-Total	7,483	8,812	1,329
People and Traded Services			
Human Resources	2,331	2,550	219
Communications	232	238	6
Executive	384	462	78
School Crossing Patrols	425	435	10
Bereavement Services	(732)	(679)	53
Catering & Cleaning Traded Services	504	233	(271)
Music Service	189	237	48
Directorate Wide Efficiency -People	(128)	(133)	(5)
People and Traded Services Sub-Total	3,205	3,343	138

SERVICE EXPENDITURE ANALYSIS	Net Budget 2019/20 (£'000)	Proposed Net Budget 2020/21 (£'000)	Movement (£'000)
Total Service Budget	149,997	159,340	9,343
Council Wide Service			
Transport Levy	15,788	16,209	421
Flood Defence	146	149	3
Coroner's & Mortuary	744	728	(16)
AGMA/ Other	495	495	0
Contingencies, Provisions and Corporate savings	4,342	2,500	(1,842)
Interest Receivable (incl. Airport Dividend)	(6,193)	(7,545)	(1,352)
Loan Debt (principal and interest)	6,546	9,080	2,534
Property Investment Fund	(2,411)	(7,431)	(5,020)
Insurance	753	700	(53)
Members Expenses	854	950	96
Other Centrally held budgets	1,194	1,934	740
Central Grants	(2,318)	(1,906)	412
COUNCIL-WIDE BUDGETS	19,940	15,863	(4,077)
Proposed Net Budget	169,937	175,203	5,266

**REPORT of the CORPORATE DIRECTOR OF FINANCE AND SYSTEMS
to the COUNCIL 19 FEBRUARY 2000**

**ROBUSTNESS of the 2020/21 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 6.
- 1.4 In drafting the budget reports close consideration has been given to recent publications from Cipfa, namely:-
- **Financial Management Code** which provides a useful framework to assist local authorities in demonstrating their financial sustainability and sets expected standards of financial management for local authorities;
 - **Prudential Property Investment** which provides a useful update on the Prudential Code and how they relate to the expansion of commercial activity by local authorities; and
 - **Financial Resilience Index (FRI)** which usefully compares the Council against similar local authorities across a range of key financial measures to give an indication of financial stability.
- 1.5 In respect of the FRI there are a number of areas which show the Council to have higher levels of risk compared to similar local authorities, particularly:-
- **the level of reserves** as a proportion of net revenue budget – this is a recognised risk and whilst the Council has successfully replenished reserves in previous years, their relatively low level remains a concern particularly given the planned application in 2020/21. Given the size of the budget gap in 2021/22 prioritisation will be given to replenishing the budget support reserve to a level of 50% of the budget gap in 2021/22 by reallocating from other reserve areas.
 - **level of business rate growth** above baseline supporting budget – this risk has been recognised and assumptions about the planned reset in 2021/22 and about transitional protection have been included in the budget proposals,

- 1.6 After ten years of austerity funding reductions the ability to balance budgets is extremely challenging. What we do know is that our expenditure pressures in a number of areas are unavoidable with rises in costs due to pay inflation and living wage increases, general inflation on contracts and goods and services and demography are predicted to cost the Council in the region of £10m annually with assumed increases in Council Tax only part mitigating these pressures. The national budget in March and comprehensive spending review later in 2020 are eagerly awaited and should provide some signal of the outlook for local government; at least for a multi-year settlement which would at least provide a degree of certainty for the planning of future years' budgets. Trafford though has two other pressures which are not felt by the majority of councils which make our budget planning even more difficult:-
- The costs associated with improving our Children's Services following the Ofsted review in 2019 which gave an inadequate rating and for which allowance is included in these budget estimates;
 - The expected loss of funding from business rates following a national reset of baselines in April 2021
- 1.7 Given the short term uncertainty, the size of the remaining budget gap in 2021/22 and the extent of activity in 2020 which will affect local government the risk attached to our budgetary position has been increased in the Strategic Risk Register to Red given the size of the budget challenge for 2021/22 and beyond.

2. PROCESS

- 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 2019/20 budget monitoring process and planning process review have been addressed in the 2020/21 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 the Financial Management Service.
- 2.3 All budget managers have been requested to agree their budget working papers and are therefore aware of their proposed budget for 2020/21 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 (both revenue and capital budget and reserves) 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 2020/21 and in 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 to ensure that they reasonably allow for a degree of error. Risks can be mitigated through a variety of management actions and the Corporate Leadership Team (CLT) 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 with monthly

updates on financial performance reviewed. 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.

BUDGET 2020/21

- 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 2021/22 given the expected reset of the business rate retention scheme baselines, implementation of fairer funding and compounded by the use a one-off reserves supporting the 2020/21 budget.

- The Government has now indicated that the national reset of the business rate retention scheme baselines and introduction of fair funding review of local government needs and resources will now take place in 2021/22 rather than 2020/21 as originally intended. This will give rise to significant financial turbulence and has made financial forecasting extremely difficult. Whilst the reset in itself poses a significant financial risk to the Council the Government is likely to include a transitional protection system to protect authorities from any significant financial cliff edges. The current budget assumptions include for these protections and are based on the council's current funding levels from the original retained business rate and 100% GM Pilot schemes. There is a risk the Government does not afford protection to the additional funding derived from the 100% Pilot in which case this will put further pressure on the budget gap in future years. The delay in resetting the system, whilst in part good news, exposes the Council to a further year of potential decline in business rate funding. This has been apparent during 2019/20 when overall rateable values have fallen by approximately £5m with a major contributing factor being the level of temporary refurbishments and significant number of commercial and industrial property being converted to residential assets. An assessment of rateable value and income levels has been forecast indicating a potential shortfall in income for 2020/21 compared to our draft budget proposals and this will be mitigated with one-off support from the Business Rate Risk Reserve for one year until reset of the system.
- The delivery of savings identified, in particular the adult services 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 action continues to provide a secure source of income to support the revenue budget and remains proportionate. In this regard close attention continues to be given to all updates from MHCLG and the Cipfa Prudential Code. A review of all assets is undertaken on an annual basis to determine the

appropriateness of the level of specific reserve set aside to cover all outstanding risks;

- An invest to save programme has been developed for Children's Services. This programme introduces investment in early help which is expected to increase the quality of services and lead to reduced demand and in later years, net budget savings. As this is an investment that will produce a longer term saving, it is considered prudent to pump prime this investment from our reserves in 2020/21.
- The Council has ambitions to undertake some substantial regeneration and development in the Borough with particular focus on town centre regeneration and provision of new housing. An outcome of this is that it will generate new capital receipts which can be used to support capital investment in the Council's property and infrastructure but given the lead in times to some of this development it is likely to mean that more of the capital receipts are realised in 2021/22 and 2022/23. This potentially will give rise to some short term temporary borrowing to finance the capital programme, the costs of which will be financed from the Interest Rate Smoothing Reserve.
- There is always the risk that the Council could face legal challenge in relation to any of 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 can be significant;
- The uncertainty that exists on demand led services, particularly in adults and children's social care continues to pose the biggest threat to the Council's budget in the future and significant new investment has been incorporated into the 2020/21 budget plans to reflect the latest demand pressures. Government has provided invaluable support for social care as part of the Spending Round announced in autumn 2019 but no further funding projections are known until the outcome of the budget and spending review expected in 2020.
- There is also risk with regard to the ability of the external care market to provide sufficient capacity at a price supported by the Fair Price for Care review in order to support our growing care needs;
- In the short term the expenditure pressures being felt in the schools high needs block have been addressed by the Government's commitment to invest an additional £700m nationally into high needs in 2020/21. We will only know if this provides a sustainable solution once allocations are known for later years.

FUTURE YEARS

2.8 The decisions in this report and the utilisation of a level of temporary reserves funding increases the challenges for future years. Current projections still leave a budget gap of £15.01m in 2021/22 even after assumptions on additional funding raised from general council tax increases and the social care precept. After ten years of making savings and achieving additional income to balance the budget there is limited scope to achieve future savings given the increased demand pressures in adults and children's services. Whilst Government have started to

acknowledge some of these pressures any additional funding provided has failed to keep pace with these demand pressures.

- 2.9 It is therefore crucial that as soon as this budget is agreed both senior officers and Executive Members begin consideration of radical budget options in advance of any further funding updates during 2020. This exercise should aim to be well under way by the end of Q1 2020/21 and identify a range of options that can address the significant budget gap for 2021/22 in advance of funding announcements which are expected to be made in the autumn of 2020.
- 2.10 It is unlikely that any indicative funding figures will be made available by Government until late summer or early autumn 2020 which will make financial planning difficult for 2021/22 and is why advance work needs to commence in March and April. A number of potential mitigating factors exist:-
- An updated National Budget will be announced on 11 March 2020 with the promise of a “decade of renewal”. It is expected that this will focus on the environment and build on recent announcements to boost spending on public services. Whilst this should provide a useful update on local government spending it is unlikely to cover Government departmental spending beyond 2021. It is hoped that a longer term spending review follows shortly after this announcement together with an update on support for social care.
 - The Local Government Minister Luke Hall has promised to set out plans to fix the social care system once and for all and to work with political parties from all sides of the House of Commons to seek consensus around the very best solutions.
 - In the summer/autumn there will be a longer-term Spending Review, alongside the Fair Funding Review (FFR) of the allocation and distribution of those resources, and a review and upcoming reset of the business rates tax.
 - The outcome of the FFR and Business rate reset is expected during 2020 and at this stage it will be necessary to review the existing budget assumptions, particularly those included for the transitional arrangements that are to be put in place.
 - The developing modernisation programme and digital improvements are expected to yield some benefits which are capable of supporting the budget.
 - The Council’s current budget contains a modest level of discretionary services which will be reviewed during 2020 as well as fees and charges.
 - Through the Asset Investment Strategy two significant debt arrangements which are yielding substantial benefits to the revenue budget come to an end. If alternative investments can be identified, together with the use of the remaining headroom in the Fund, this should contribute toward bridging the budget gap.
 - It is imperative that the Council lobby Government for a change in the current council tax referendum levels such that more discretion is afforded for those authorities with a below average level of council tax.

2.11 Given the size of the budget gap in future years it has been necessary to review the level of the Budget Support Reserve and the proposals in this report recommend a full rationalisation and review of reserves such that a balance of £7.5m can be reinstated, being 50% of the remaining budget gap for 2021/22. This will provide a prudent level of budget resilience for the 2021/22 budget process. The reinstatement of the Budget Support Reserve to such a level is a key financial priority and whilst a challenge for the Council given the low level of reserves could be achieved by:-

- Earmarking any outturn savings achieved in 2019/20
- Reviewing the MAG dividend reserve given current projection of distributable amounts from MAG being greater than our budgeted level
- Potential one-off savings from the PFI scheme and redistributions from AGMA budgets, including waste and retained business rates
- Review of Service Area Priority Reserves
- Review of Business Rate Risk Reserve

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. In the event of sponsored academisation the responsibility of any legacy school deficit remains with the local authority, therefore our reserves strategy takes this risk into consideration.

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:

- It is a key priority to reinstate the level of the Budget Support Reserve to a level equivalent to 50% of the remaining budget for 2021/22, i.e. £7.5m
- Start the 2021/22 budget immediately to commence scenario planning in the event the upcoming national budget and spending review fail to address the financial pressures of local government
- Proportionality of the Investment Strategy has been assessed and appropriate and prudent levels of risk reserve and MRP are being set aside.
- A full review of the fair price for care level for adult social care homes
- A pressure on the Housing Benefit budget caused by an increase in temporary, homeless and supported accommodation costs which are not fully reimbursed through housing subsidy. This shortfall is being compounded by a reduction in recovery rates for benefit overpayments and a move to Universal Credit. Therefore a specific reserve has been created.

- Levels of contingency budget have been reviewed for adult social care and children's social care areas. There is an assumption additional investment in staffing within Children's Services will lead to better control on the cost of children's placements. In the event savings cannot be fully delivered an allowance has been included in the corporate contingency.
- Earmark an element of the Interest Rate Smoothing Reserve in the event there is a need to undertake any short term borrowing to support the capital programme.
- Increase in budget provision within Adults Social Care due to the impact the external care market is having on client costs.
- The leisure centre strategy will need further review before the commitment of the next phases of development.
- A review of ordinary residence cases is still in the process of being assessed and for this reason an allowance has been factored into the general reserve calculation.
- 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 2020/21 to move towards bringing Public Health expenditure back within the Public Health allocated resources by 2020/21. Additional investment has been included in these budget plans for 2020/21 to support public health related expenditure commissioned by other service areas which will free up public health resources which can be invested in to preventative public health measures.

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, the same level set for 2019/20.

Annex J

OUTLINE OF 2020/21 FUNDING FORMULA RECOMMENDED BY SCHOOL FUNDING FORUM

	Description	Amount per pupil		Pupil Units		Sub Total	Total
-	Primary (Years R-6)	£2,872.71		21,109.00		£60,640,035	
	Key Stage 3 (Years 7-9)	£4,040.10		9,864.00		£39,851,546	£128,650,174
	Key Stage 4 (Years 10-11)	£4,586.09		6,140.00		£28,158,593	
		Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR		
Deprivation	FSM	£452.48	£452.48	2,192.00	1,647.00	£1,737,071	£9,940,877
	FSM6	£563.08	£819.48	2,940.29	2,829.68	£3,974,484	
	IDACI Band F	£211.16	£301.65	1,160.70	873.80	£508,676	
	IDACI Band E	£251.38	£407.23	1,477.29	1,117.28	£826,351	
	IDACI Band D	£377.06	£537.94	865.21	627.87	£663,992	
	IDACI Band C	£407.23	£583.19	754.45	594.73	£654,076	
	IDACI Band B	£437.39	£628.44	1,179.77	993.57	£1,140,422	
	IDACI Band A	£603.30	£844.62	336.75	275.44	£435,806	
		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	£537.94	£1,447.92	2,412.64	228.50		£1,777,817
		Amount per pupil		Eligible proportion of primary and secondary NOR respectively			
Prior attainment	Low Attainment % new EFSP	£1,070.86		5,362.80		£5,742,807	£8,882,389
	Low Attainment % old FSP 78						
	Secondary pupils not achieving (KS2 level 4 English or Maths)	£1,618.86		1,939.38		£3,139,582	
Lump Sum						£115,029.20	£9,662,453
Split Sites							£40,000
Rates							£1,567,398
Additional funding under the minimum funding level (primary £3,779 secondary £5,029)							£6,734,735
Total Funding for Schools Block Formula (excluding MFG Funding Total)							£167,255,843

Minimum Funding Guarantee (MFG is set at +1.84%)	£3,422,461
Total Funding For Schools Block Formula	£170,678,305
less de-delegation	-£795,805
less Education functions	-£221
Total Funding For Schools Block Formula less de-delegation	£169,882,278

Formal Council Tax Resolution

The Council is recommended to resolve as follows:

1. It be noted that on 18th January 2020 the Council calculated
 - (a) the Council Tax Base 2020/21 for the whole Council area as 77,386 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")] and;
 - (b) 1,573 for dwellings in the Parish of **Partington**;
 - (c) 125 for dwellings in the Parish of **Carrington**:

to which Parish Precepts relate.

It is recommended : -

2. That the Council approve the Council Tax Requirement for the Council's own purposes for 2020/21 (excluding Parish precepts) as £103,989,759.
3. That the Council agrees the calculation of the Aggregate Amounts for the year 2020/21 in accordance with Sections 31 to 36 of the Act:
 - (a) £491,536,139 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) £387,460,771 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
 - (c) £104,075,368 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) £1,344.89 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) £85,609 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
 - (f) £1,343.78 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) £1,395.82 **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.

(h) £1,373.78

Parish of Carrington

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(c) 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 2.0% increase to be spent exclusively on supporting the delivery of adult social care services.
5. That it be noted that for the year 2020/21 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 2020/21 for each part of its area and for each of the categories of dwellings.

Valuation Bands

Council Tax Schedule 2020/21	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Trafford Council (including Adult Social Care Precept)	895.85	1,045.16	1,194.47	1,343.78	1,642.40	1,941.02	2,239.63	2,687.56
Mayoral Police and Crime Commissioner Precept	138.86	162.01	185.15	208.30	254.58	300.87	347.16	416.60
Mayoral General Precept (including Fire Services)	60.63	70.73	80.84	90.95	111.16	131.37	151.58	181.90
Sub total	1,095.34	1,277.90	1,460.46	1,643.03	2,008.14	2,373.26	2,738.37	3,286.06

Partington								
Parish only	34.69	40.48	46.26	52.04	63.60	75.17	86.73	104.08
Parish & District only	930.54	1,085.64	1,240.73	1,395.82	1,706.00	2,016.19	2,326.36	2,791.64
Aggregate of Council Tax requirements (incl. – Mayoral Precepts)	1,130.03	1,318.38	1,506.72	1,695.07	2,071.74	2,448.43	2,825.10	3,390.14

Carrington								
Parish only	20.00	23.33	26.67	30.00	36.67	43.33	50.00	60.00
Parish & District only	915.85	1,068.49	1,221.14	1,373.78	1,679.07	1,984.35	2,289.63	2,747.56
Aggregate of Council Tax requirements (incl. – Mayoral Precepts)	1,115.34	1,301.23	1,487.13	1,673.03	2,044.81	2,416.59	2,788.37	3,346.06

PARISH COUNCIL PRECEPTS

Parish/Town Council	2019/20			2020/21			C Tax Increase
	Tax Base	Precepts £	Council Tax Band D (£)	Tax Base	Precepts £	Council Tax Band D (£)	
Partington	1,577	67,023	42.50	1,573	81,859	52.04	22.45%
Carrington	124	0	N/A	125	3,750	30.00	N/A
TOTAL	1,701			1,698	85,609		