

TRAFFORD COUNCIL

Report to: Executive

Date: 22nd November 2021

Report for: Information

Report of: The Executive Member for Finance and Governance and the
Director of Finance and Systems

Report Title:

Budget Monitoring 2021/22 – Period 6 (April to September 2021).

Summary:

The purpose of this report is to inform Members of the current 2021/22 forecast outturn figures relating to both Revenue and Capital budgets. It also summarises the latest forecast position for Council Tax and Business Rates within the Collection Fund.

Recommendation(s)

It is recommended that the Executive:

- a) note the updated positions on the revenue budget, collection fund and capital programme.

Contact person for access to background papers and further information:

David Muggerridge, Head of Financial Management Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not Applicable
Financial	Revenue and capital expenditure will be contained within available resources in 2021/22. In respect of the resourcing of the capital programme a number of capital receipts from the disposal of surplus land have been reprofiled to later years. This has given rise to some additional temporary borrowing the cost of which has been

	contained within the treasury management budget.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Carbon Reduction	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

EXECUTIVE SUMMARY

1. The approved budget for 2021/22 agreed at the 17 February 2021 Council meeting was £179.304m. This was subsequently increased by £168k to £179.472m as a result of a minor late change in the financial settlement relating to resources to support the Public Health budget and agreed at the Council meeting on 28th July 2021.
2. In determining the budget for 2021/22 an overall gap of £25.44m was addressed by a combination of additional resources of £5.20m from Council Tax, use of reserves, £8.34m to address COVID-19 pressures and £2.80m for business as usual pressures, and a net £9.10m of service savings and additional income.
3. **Summary of outturn**

There is a net estimated outturn pressure of £2.42m at Period 6, an adverse movement of £238k since Period 4.

This mid year monitor for the financial year provides a forecast outturn based on patterns of expenditure and income from the first six months of the year. Outturn patterns have started to emerge, however there still remains some broad assumptions on future demand and the ongoing impacts of the pandemic. The impact of the end of the Government's Job Retention Scheme, the recent increase in headline inflation rates and the unprecedented increase in energy and fuel price increases, add yet further uncertainty into the financial landscape both for the current and future years.

At this stage in the current financial year, the fact the estimated outturn has deteriorated, demonstrates an unfavourable direction of travel and given the size mitigating actions may need to be prioritised, such as an expenditure freeze, to mitigate against any further adverse movement.

The following issues are worthy of being highlighted:-

- Children's placements £1.075m (£833k period 4) overspend due to an increase in cases;
- Adults placements £767k overspend, an adverse movement of £463k since period 4; £579k of the pressure is due to savings now not expected to be achieved, alongside an underlying pressure of £597k due to an increase in costs of care packages and new cases. The balance consists of a net underspend on the Hospital Discharge Programme of £409k.
- Assumptions on demand remain uncertain, and contingency balances of £607k (£1.14m period 4) and £673k (£1.2m at period 4) are included for future demand in Children's and Adults Services. Sizeable balances have been released since period 4 to address the increases in demand.
- Staffing budgets net underspend of £1.470m, consisting of underspend of £1.89m in Children's and Public Health, largely due to delays in recruiting and service redesign, offset by pressures in Adults of £0.420m as a result of COVID-19 and exceptional circumstances within the Supported Living service.

- Strategic Investment Programme – These investments are budgeted to generate a net revenue benefit in 2021/22 of £7.61m although revised forecasts show a potential reduction in receipts generated of £1.339m (£995k at Period 4). This is largely COVID-19 related due to delays in developer loans being drawn down, lower income from debt facilities due to lower interest rates, delays in schemes in the pipeline and lower trading income due to COVID-19 at retail investment sites;
- COVID-19 related pressures in Place and central services directorates of £751k (£1.335m period 4), largely related to income pressures in traded services and lower sales, fees and charges as a result of the economic impact of the pandemic lasting longer than the first quarter assumed when setting the budget. Examples of pressures include parking fees and fines £486k, property rentals £300k, outdoor media advertising £302k, planning fees £420k. Significant improvements of £470k have been seen in estimated income from planning fees since period 4.
- Local Government Pay award – The final pay award offer, currently rejected by the trade unions, for local government at 1.75% for all staff being in excess of budget by £980k. This would require the use of the council wide contingency, leaving a balance of £100k for other unknown pressures during the year.
- Other favourable movements of £41k

4. **2021/22 Savings Programme**

The latest forecast shows that the savings programme is currently expected to deliver savings of £9.06m, which is £2.86m below target. This shortfall has been included in the overall estimated outturn. To date £7.52m has been achieved with £1.54m still to be achieved. Whilst there still remains a risk in the delivery of the programme, the majority of savings are classified as Amber indicating an element of management action is still required to deliver the savings before the end of the year.

Of the savings that won't be delivered in the current year, exception reports for each of those will be included in the period 8 budget monitor report. This position has been considered when developing the 2022/23 budget plan with a figure of £959k relating to schemes which are unlikely to be delivered, including pressures in Adults Social Care of £606k and £323k in Place Directorate.

5. **Council Tax**

The Council Tax budget was reduced temporarily in 2021/2022 to reflect the ongoing impact of the pandemic. The outturn is largely in line with budget, however there is a level of uncertainty in the forecast, particularly surrounding the continued demand for Council Tax Support both in the current and next financial year.

Consideration will be given in future monitors if there is a need to bolster a Council Tax reserve to smooth any volatility in demand for Council Tax Support in next financial year.

6. Business Rates

Projecting business rates is by its nature complex and prone to variation, in addition the impact of COVID-19 has added further uncertainty to the accuracy of projections. Government support has been extended for retail, hospitality and leisure businesses along with a discretionary scheme for other businesses. At this stage, assumptions continue to be in line with budget. Discussions will commence with the Greater Manchester Combined Authority regarding the business rate growth pilot sharing agreement, which could result in an increased share of rates growth being retained locally to alleviate the in year pressures.

7. Managing the Risk

Although the estimated outturn is adverse and has deteriorated by £238k since period 4 and is a potential cause for concern, primarily around the delivery of the remaining savings programme and increases in client demand in Adults and Children, the following actions and mitigating actions have been identified to support the in-year budget position:-

- A number of contingency items are included in the outturn which have yet to be released. Although these have been partially utilised since period 4, they stand at £607k and £673k (period 4 £1.14m and £1.2m) in Children's and Adults services for potential client demand. There is also £502k (£816k period 4) in Council Wide relating to the balance of £1.5m set aside for unknown COVID-19 pressures.
- Discussions have commenced with Greater Manchester Combined Authority to review centrally held reserves and the potential to review the local sharing agreement of the Business Rates Growth Pilot monies. Currently £2.7m is forecast to be paid over to GMCA.
- A review of all earmarked reserves has started to challenge and identify potential uncommitted resource. This ongoing exercise will determine the extent the Council could partially meet the forecast outturn pressures for 2021/22 and in addition offer a temporary solution to the 2022/2023 budget gap. This will be completed in parallel with the preparation of the final budget report for 2022/23.
- As previously reported in order to maintain robust challenge and focus attention on the delivery of the savings programme, the regular budget monitoring reports are supplemented by monthly updates on all demand led budgets and the savings programme are considered by the Corporate Leadership Team.
- The Corporate Leadership Team will also review all non essential spend, including a vacancy freeze for back office functions and close monitoring and control of any other expenditure over the budget provision.
- The Council continues to provide regular monitoring returns to the Government Departments which will be used at a national level to inform the debate on whether additional resources will be required over the medium term relating to COVID-19 pressures.

8. Capital Programme

There has been an increase in the general capital programme since period 4 of £1.01m to a total of £166.69m for the period 2021/2024. This change relates to an increase in highways funding following negotiations with the GM Combined Authority which broadly matches the grant reductions announced by Government at the time of setting the budget.

The revised capital programme budget for this financial year is £48.44m which is net reduction of £0.55m from the P4 position of £48.99m as a result of minor rephasing.

The overall programme is currently overprogrammed by £3.82m over the three years, which is an increase of £2.0m from period 4 and relates to a reduction in estimated capital receipts.

The issue of over-programming will be addressed as part of the current capital programme bidding round.

REVENUE BUDGET

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

Table 1: Budget Monitoring results by Service	2021/22 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	42,456	42,795	339	0.8%
Adult Services	52,447	53,738	1,291	2.46%
Public Health	12,661	11,786	(875)	(6.91)%
Place	31,155	32,903	1,748	5.61%
Strategy & Resources	5,445	5,282	(163)	(2.99)%
Finance & Systems	7,683	7,910	227	2.95%
Governance & Community Strategy	6,164	6,310	146	2.37%
Total Directorate Budgets	158,011	160,724	2,713	1.72%
Council-wide budgets	21,461	21,169	(292)	(1.36)%
Net Service Expenditure variance	179,472	181,893	2,421	1.35%
Funding				
Business Rates (see para. 22)	(62,459)	(62,459)	0	
Council Tax (see para. 19)	(105,869)	(105,869)	0	
Reserves Budget Support	(2,803)	(2,803)	0	
Reserves to Support COVID-19	(8,341)	(8,341)	0	
Funding variance	(179,472)	(179,472)	0	0.00%
Net Revenue Outturn variance	0	2,421	2,421	1.35%
Dedicated Schools Grant	150,236	152,149	1,913	1.27%

Budget Adjustments and Virements

A number of virements across Directorates are detailed in Appendix 1.

Main variances, changes to budget assumptions and key risks

10. The main variances contributing to the projected overspend of £2.421m, any changes to budget assumptions and associated key risks are highlighted below:

Table 2: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	339	<p>Projected outturn variance £339k adverse, an adverse movement of £394k from Period 4.</p> <p>The impact of the coronavirus pandemic is and will continue to have a significant bearing on the service both in terms of its service delivery and finances.</p> <p>Below is the projected position on children's placements and other budget areas:</p> <ul style="list-style-type: none"> • £1.075m over budget on Children's placements (note 1), an adverse movement of £242k; • £1.220m under budget on staffing (note 2), an adverse movement of £53k; • £484k over budget on other running costs and income across the service, an adverse movement of £99k (note 3). <p>Note 1 Children's placements currently projects an overspend of £1.075m, an adverse movement of £242k.</p> <p>Over the two month period there has been a number of changes within Children's placement from costs for new placements £559k and delays in the step down of other placements £216k. The total cost of these over this two month period was £775k. However the contingency set aside to be utilised during this period of £533k was not sufficient to cover the above, resulting in an adverse movement of £242k.</p> <p>The above position also projects that £369k of planned reductions in placement's costs are still to take place.</p> <p>Therefore there is a contingency of £607k included in the above projections to cover any further demand and potential timeline changes to the anticipated planned reductions mentioned above.</p> <p>The numbers of children as at the end of September compared to those at the end of July are as follows:-</p>

	<ul style="list-style-type: none"> • children in care 382, no change • child protection is 179, no change • children in need 880, an increase of 35 <p>To date £1.304m of the £1.5m savings included in the budget has been achieved. The remaining savings for placements is currently anticipated to be achieved, however continuous scrutiny in this area will be applied and projections on deliverability of savings may be subject to change.</p> <p>At this stage it is important to note that the service continues to operate with a high degree of uncertainty due to the potential consequences the pandemic will have around future demand.</p> <p><u>Note 2</u></p> <p>A favourable variance in staffing of £1.220m which is due to delays in recruiting and are one-off in nature as the service undertakes its service redesign which will be in place during 2021/22. The adverse movement of £53k from P4 is due to additional agency costs.</p> <p>The staffing savings included in the budget of £580k are expected to be achieved this year due to the delays in recruiting as mentioned above. However this will be reviewed throughout the year as to their permanency as the service redesign takes place.</p> <p><u>Note 3</u></p> <p>The adverse variance in running costs and income across the service is £484k, an adverse movement of £99k, as outlined below:-</p> <ul style="list-style-type: none"> • £283k adverse variance on Home to school transport, an adverse movement of £26k. This is due to increased demand in transport for out of borough placements (£188k) and additional staffing costs (£69k) to cover passenger assistants who are shielding; • £74k adverse variance on Partington nursery, an adverse movement of £37k. This is due to a low uptake at the nursery resulting in a shortfall in income. • £207k adverse variance on income, an adverse movement of £79k. This is mainly due to the impact of COVID-19 (£167k), and a loss of service level agreement income with schools (£40k). • £121k favourable variance on grant income, a favourable movement of £36k due to the receipt of a grant for the school improvement service which it was not anticipated would continue. • £41k adverse variance on minor variances across the service, a favourable movement of £7k.
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		<p><u>Note 4</u></p> <p>In addition to this there are further estimated costs due to COVID-19 as outlined below which are met by additional income:</p> <ul style="list-style-type: none"> • £499k for the COVID Local Support Grant (CLSG) which will be met by a government grant. • £372k for contain outbreak management which will be met by government grant.
Adult Services	1,291	<p>Projected Outturn variance £1.291m adverse an adverse movement of £542k from period 4.</p> <p>The impact of the coronavirus pandemic and supporting the NHS in dealing with the backlog of patients waiting for treatments continues to have a significant bearing on the service both in terms of its service delivery and finances.</p> <p>The projected position on adult clients and other budget areas is as follows:</p> <ul style="list-style-type: none"> • £767k adverse position on Adult clients, an adverse movement of £463k from period 4 (Note 1) • £524k adverse position on staffing and running costs, an adverse movement of £79k from period 4 (Note 2) <p><u>Note 1</u></p> <p>Adult Clients currently projects a £767k overspend, an adverse movement of £463k from period 4.</p> <p>Savings - £579k pressure a £275k adverse movement.</p> <p>This is due to a further deterioration in savings anticipated to be achieved, the total amount in this area is a shortfall of £579k. To date £1.032m of the £1.866m saving proposals in this area has been achieved. The service is, however, always looking to identify other savings to mitigate the projected shortfall. Continuous scrutiny in this area will be applied and therefore projections on deliverability of savings are subject to change.</p> <p>Discharge to Assess - £409k favourable, a favourable movement of £409k.</p> <p>At the time of the Period 4 monitor, estimated costs of the programme of £1.4m had been included in the outturn, however since the announcement of the continuation of the HDP to 31st March 2022 they have reduced.</p>

	<p>However, not all of the discharge to assess costs are met by the HDP for the following reasons:-</p> <ul style="list-style-type: none"> • if services provided are required for more than the maximum allowed under the HDP scheme • those beds that are paid for on block but not occupied. <p>The above costs are shared on a sharing agreement, which was still under negotiation at period 4. This has now been concluded and the Council and CCG have agreed to a 50/50 risk share agreement to the 31st March 2022 on those costs that cannot be met by the HDP and that exceed £1m. The first £1m will be met by the council as the budget included this amount for this type of service.</p> <p>The impact of the updated sharing agreement and changes in demand result in a favourable movement of £409k since that reported in period 4.</p> <p>Packages of Care – £597k pressure an adverse movement of £597k This is due to the following:</p> <ul style="list-style-type: none"> • Increases in costs to existing packages of care £1.922m (244 clients). This is mainly due to increasing client needs/complexity and changes to clients’ financial assessments. • Reductions in costs to existing packages of care £2.049m (218 clients). This is mainly due to reductions in care required, clients that have deceased and changes in clients’ financial assessments. • New packages of care - the gross increase was £1.284m reducing to £724k after applying £560k for contingencies. This will include previous self funders whose savings have fallen below £23,250. <p>The service is experiencing significant increased demand for Learning Disability support and mental health with new placements and both average hours of support per client and average hourly rates continuing to rise.</p> <p>It is also important to reiterate that the service continues to operate with a high degree of uncertainty due to the potential risks of coronavirus infections, its impact on the care sector and the consequences the pandemic will have around further future potential demands on Mental Health provision. In addition to this is the increase in demand on services in supporting the NHS in dealing with the backlog of patients waiting for treatments.</p> <p>Contingency - within the projection there is a contingency of £673k set aside for additional increases in demand/cost pressures throughout the rest of the financial year.</p>
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		<p>Further work is currently underway to understand if this will be sufficient for the rest of the year and also the potential impact on budgets for 2022/2023 given the increase the service has experienced between period 4 and 6.</p> <p>Note 2</p> <p>The current forecasts indicate there is an adverse variance of £524k on staffing and running costs, an adverse movement of £79k from period 4 which is due to the following:</p> <ul style="list-style-type: none"> • £420k adverse variance on staffing, an adverse movement of £28k. This adverse variance is due to additional resource requirements to respond to increased pressures on the service as a result of COVID-19 and due to exceptional circumstances within the Supported Living service; • £231k favourable variance on client equipment, repairs and maintenance, an adverse movement of £19k. This is due to the impact of COVID-19 and the low number of referrals being received; • £348k adverse variance due to projected underachievement of savings, an adverse movement of £24k. This is as a result of delays to changes in legislation and staffing pressures on the service; • £13k favourable variance on minor variances, an adverse movement of £8k. <p>Note 3</p> <p>In addition to this there are further estimated costs due to COVID-19 as outlined below which are met by additional income:</p> <ul style="list-style-type: none"> • £4.177m which will be met by the CCG from their allocation given by NHSE for HDP; • £2.334m for infection control and Rapid Testing for care providers which will be met by government grant, this is subject to change due to the announcement that funding is to continue however details are yet to be released from government; • £451k for the clinically extremely vulnerable which will be met by government grant; • £705k for contain outbreak management which will be met by government grant; • £494k for self-isolation support which will be met by government grant.
Public Health	(875)	<p>Projected Outturn variance £875k favourable, a favourable movement of £94k from period 4.</p> <p>Currently there is a projected favourable position of £875k as a result of:</p>

		<ul style="list-style-type: none"> • £670k favourable position on ‘business as usual’ staffing costs, a favourable movement of £5k, as the service continues to lead and support the contain outbreak management response to the pandemic; • £82k favourable position on activity based budgets, a favourable movement of £10k. • £123k favourable position on running costs and other minor variations, a favourable movement of £79k. <p>Currently activity based budgets are projected to be £82k below budget. However there is a further possibility that underspends on these budgets may increase further as a result of low levels of activity, due to the impact of COVID-19 throughout the financial year.</p> <p>In addition to this there are further estimated costs of £2.647m due to COVID-19 for contain outbreak management and this will be met by a government grant.</p>
Place	1,748	<p>Projected outturn variance £1.748m adverse, a favourable movement of £238k.</p> <p>This includes gross COVID-19 pressures of £3.714m, which is a favourable movement of £593k, offset by £3.370m included in the approved budget/reserves – a net COVID-19 pressure of £344k which includes:</p> <ul style="list-style-type: none"> • COVID-19 related gross income losses are £3.475m (reduced by £594k), of which £1.470m is included in the approved budget and £1.7m earmarked in reserves relating to Leisure. This gives a net COVID-19 income pressure in the forecast outturn of £305k; • The gross COVID-19 related income losses include parking fees and fines £486k, property rentals £300k, outdoor media advertising £302k (reduced by £98k), planning fees £420k (reduced by £470k), licencing fees £80k, building control fees £61k, highways permits and grants £24k, street trading £20k (reduced by £30k), pest control £34k (increase of £4k) and trade waste £48k. There is also £1.7m in forecast support for ongoing trading deficits of the Trafford Leisure CIC due to the ongoing effects of the various COVID-19 restrictions, which will be funded from existing earmarked reserves. Trafford Leisure continue to work closely with the Council to monitor finances and mitigate these budget pressures as far as possible within the various operational restrictions, including successful bids for grant funding; • COVID-19 related gross expenditure pressures are £239k (increase of £1k), of which £200k is included in the approved budget, giving a net pressure of £39k in the forecast outturn. The overall gross pressure includes £150k in additional waste

		<p>disposal costs and £50k related to waste collection, £7k highways/grounds maintenance, £32k operational buildings (increase of £1k);</p> <ul style="list-style-type: none"> • There are also additional costs fully offset by additional specific COVID-19 grants of £305k Community Engagement and £328k for Public Protection/Economic Growth “pandemic contain” funding. <p>Other Forecast Variances £65k adverse, an adverse movement of £11k.</p> <p>Strategic Investment Programme £1.339m adverse, an adverse movement of £344k:</p> <p>The Strategic Investment Property Portfolio will deliver a net benefit to the revenue budget in 2021/22 of £6.24m. This is £1.339m lower than budgeted and is due to economic factors affecting some of the income, particularly from the town centre investments (see paragraph 37 for further details).</p>
Strategy & Resources	(163)	<p>Projected outturn variance £163k favourable, a favourable movement of £213k.</p> <p>This includes gross COVID-19 pressures of £526k, an adverse movement of £8k, offset by £481k included in the approved budget – a net COVID-19 pressure of £45k:</p> <ul style="list-style-type: none"> • Gross trading losses in the overall forecast outturn includes £268k in Catering (reduced by £6k), £119k in Cleaning (increase of £11k) and £49k in the Music Service (increase of £9k). There is a forecast net loss of income from staff parking of £60k and £15k expected loss of SLA income. There are also £15k of staff costs (reduced by £5k); • There is also £1.422m of forecast additional staff costs relating to the Modernisation, Communications and Human Resources teams which are wholly funded from COVID-19 related grants up to the end of March 2022. <p>Other Forecast Variances £208k favourable, a favourable movement of £221k, including:</p> <ul style="list-style-type: none"> • Staff costs are £252k less than budget across the Directorate (favourable movement of £202k) based on actual and forecast vacancies across the whole year, which is 3.8% of the total staffing budget; • SLA and other income above budget £108k (increase of £47k); • Other minor variances are net £26k overspent (adverse movement of £28k related to Breavement services offset by income above). These are offset by the budgeted Directorate-wide efficiency saving target of £126k, which is expected to be achieved in full.

<p>Finance & Systems</p>	<p>227</p>	<p>These are offset by the budgeted Directorate-wide efficiency saving target of £126k, which is expected to be achieved in full.</p> <p>Projected outturn variance £227k adverse, an adverse movement of £3k.</p> <p>Forecast COVID-19 Pressures £211k, adverse movement of £39k:</p> <p>This relates to additional unplanned costs associated with ICT staff, equipment and systems directly related to the COVID-19 pandemic.</p> <p>There are also additional costs fully offset by additional specific COVID-19 grants totalling £656k in Exchequer Services and £66k in ICT.</p> <p>Other Forecast Variances £16k adverse, a favourable movement of £36k:</p> <ul style="list-style-type: none"> • Staff costs are £176k less than budget across the Directorate based on actual and forecast vacancies for the whole year, which is 2.2% of the total staffing budget, and an increase of £40k ; • Non COVID-19 related running costs are underspent by £21k, a favourable movement of £12k; • Income is £25k under budget, excluding the COVID-19 grant income above, a favourable movement of £8k. <p>These are offset by the budgeted Directorate-wide efficiency saving target of £188k.</p>
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Governance & Community Strategy	146	<p>Projected outturn variance £146k adverse, a favourable movement of £46k.</p> <p>This includes gross forecast COVID-19 pressures of £391k offset by £240k included in the approved budget, a favourable movement of £38k – a net COVID-19 pressure of £151k:</p> <ul style="list-style-type: none"> • Projected gross income losses due to COVID-19 are £307k (reduced by £22k) and includes £223k relating to Sale Waterside Arts Centre, £13k for events including Flixton House (reduced by £11k), land charges £31k and Registrar’s now £10k above budget (reduced by £10k). There is also a £50k loss of income expected from library lettings (reduced by £1k); • cost pressures total £84k (reduced by £16k) and relate to legal costs for fees and additional agency staff required due to the increase in caseload £100k, which is in line with budget, and an underspend in Library running costs due to grants of £16k. <p>Other Forecast Variances £5k favourable, a favourable movement of £8k:</p> <ul style="list-style-type: none"> • Forecast staff costs are £308k less than budget across the Directorate based on actual and forecast vacancies across the whole year, which is 5.5% of the total staffing budget. This is an increase of £55k; • Running costs are forecast to be underspent by £45k, which has reduced by £20k. The underspend includes a reduction in court fees in legal services. • There is a projected shortfall in income of £156k compared to budget excluding the COVID-19 pressures above, which is £27k higher than last reported. The overall shortfall includes £34k in capital fee income which is related to staff vacancies, £75k shortfall in traded services (£27k increase) and £45k reduced grant income in electoral registration service. <p>The above is offset by the budgeted Directorate-wide efficiency saving target of £192k.</p>
Council-wide budgets	(292)	<p>Projected Outturn variance, £292k favourable, a favourable movement of £149k since Period 4</p> <p>Treasury Management</p> <p>Income totaling £392k was forecasted to be received during 2021/22 from monies invested in Manchester Airport Group in 2020 by the Council along with the other 9 Greater Manchester LAs for the provision of a new car parking facility. As a result of the current COVID-19 pandemic, returns will not be forthcoming and it is envisaged that once the current restrictions on air travel are relaxed then an income stream from this project will start to be received. To reduce the impact this will have on the treasury management</p>

projected outturn for 2021/22, a contribution from the Council's COVID-19 contingency budget will be applied. No change since period 4.

Greater Manchester Advance Pension Payment

A greater than expected saving of £150k above budget from the three yearly advance pension payment is forecast. A favourable movement of £50k since period 4.

Housing Benefit

The Housing Benefit budget is notoriously difficult to predict. At period 6 a pressure on the net Housing Benefit budget (payments made, less subsidy and overpayment recovery) of £279k is estimated, although there is a wide margin for error given the unknowns. It was considered prudent at the end of the last financial year to bolster the Housing Benefit Reserve by a figure of £500k and this will be drawn on to cover this in-year pressure, so no impact on the Council-wide outturn figure above. As the year progresses the accuracy of forecasts will improve.

Members Allowances

There is a projected saving of £25k on Members Allowances and running cost budgets, no change since P4.

External Audit fees

Following the approval of its 2020/21 audited annual report, the Public Sector Audit Appointments has redistribute a total of £5.6m amongst its members. For Trafford this refund will be £18k.

Council-wide Contingencies

a) Pay Award

On 27 July 2021 the National Employers, who negotiate pay on behalf of local authorities, made an improved, final pay offer to Council employees, a pay increase from 1 April 2021 of 1.75% (with 2.75% for those on the bottom pay point). However, this latest offer was rejected by the Unions and negotiations are still on-going.

The cost to Trafford of the above pay offer, had it been accepted, would be £1.145m. This would leave a shortfall of £980k above current budget assumptions, which would need to be met from within the general Council-wide contingency budget. This would now only leave £100k in the contingency budget for other unknown pressures during the year.

b) Sales, Fees and Charges Compensation Grant

Council-wide holds the budget provision for the Sales, Fees and Charges Compensation Grant to recompense the council for COVID related income losses limited for the first quarter of 2021/22. Income losses during the first quarter were lower than budget subsequently

		<p>resulting in a lower compensation grant estimated at £566k. This is an adverse movement of £314k since period 2. The shortfall will be met from the COVID-19 contingency of £1.5m.</p> <p>c) Greater Manchester Temporary Resting place</p> <p>£40k potential COVID-19 related costs above budget. This shortfall will be met from the COVID-19 contingency. No change since period 4.</p> <p>d) COVID-19 Contingency (temporary)</p> <p>The Council-wide contingency budget for 2021/22 includes £1.5m specifically for potential COVID-19 pressures. The current commitments against this allocation identified above leaves a balance of £502k remaining, an adverse movement of £314k since period 2.</p> <p>e) Transport Levy</p> <p>The final GMCA Transport levy set is lower than the budget agreed in February by £99k.</p> <p>f) Savings Programme</p> <p>The savings from the Voluntary Redundancy/Voluntary Severance scheme of £919k over the two year period 2021/23 (£708k in 2021/22 and £211k in 2022/23) is projected to fall short by £50k.</p> <p>Also, the take up from the 9-day Fortnight scheme has been lower than expected and the saving of £60k will not be fully realised, leaving a shortfall of £50k.</p> <p>However, these savings shortfalls will be managed within the pay element of the Council-wide contingency budget, which includes an allowance to cover the reduced savings from the lower than expected take up of the Voluntary Leave Scheme in 2021/22, £100k compared to the budget of £250k.</p>
Dedicated Schools Grant	1,913	<p>There has been an adverse movement of £703k on the DSG since Period 4.</p> <p>Underspends are expected in the Schools, Central Schools Services and Early Years blocks of £155k.</p> <p>The High Needs Block is currently projected to overspend by £2.07m (an adverse movement of £644k from P4). This will result in an estimated DSG reserve deficit relating to high needs of £2.07m at year end.</p> <p>The movement largely relates to £750k in out of borough placements, due to no capacity in borough and increasing complexity of needs and £140k favourable in SEN due to increased income from the Virtual School to cover tuition costs.</p> <p>There is a negative high needs block reserve of £181k, leaving an estimated overall DSG deficit of £2.251m at year end.</p>

		The service are reviewing what mitigations can be put in place to provide longer term savings with the intention to consult with the School Funding Forum in November and Executive in January.
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MTFP SAVINGS AND INCREASED INCOME

11. Given the financial pressures the Council continues to face, as identified in the Medium Term Financial Strategy, it is important that as much of the current savings programme is achieved in order to avoid recurrent shortfalls cascading into future years and increasing the budget gap.
12. The 2021/22 budget is based on the achievement of permanent base budget savings and increased income of £11.926m. A detailed review of the status of each saving is now undertaken on a monthly basis and a classification has been made using a “traffic light” system to highlight schemes at risk of not being achieved. Whilst some savings will be achieved through one-off alternative means/mitigating actions in the current year, a status has also been included on the risk of non-delivery falling into 2022/23.

Category	No of Schemes	% Schemes	Budget (£000's)	Forecast (£000's)	Variance (£000's)	Actuals Achieved to date (£000's)	Balance of Actuals (£000's)	Potential ongoing Impact on 22/23 (£000's)
Red	19	36%	(1,850)	(458)	1,392	(401)	(57)	929
Amber	16	18%	(4,242)	(4,142)	100	(2,658)	(1,484)	30
Green	26	46%	(5,834)	(4,463)	1,371	(4,459)	(4)	0
Total	61	100%	(11,926)	(9,063)	2,863	(7,518)	(1,545)	959

The latest forecast shows that the programme is currently expected to deliver savings of £9.06m, which is £2.86m below target, an adverse movement of £441k since Period 4. To date £7.52m has been achieved with £1.55m still to be achieved.

As previously reported in order to maintain robust challenge and focus attention on the delivery of the savings programme, the regular budget monitoring reports are supplemented by monthly updates to the Corporate Leadership Team. Alongside this, exception reports for savings yet to be achieved will be included in the period 8 monitor.

RESERVES

13. The usable reserve balance (unaudited) brought forward as at 1 April 2021 was £165.42m, excluding schools and capital reserves. Although the balance is substantial, the majority of this relates to COVID-19 reserves which are ring fenced to meet the 2020/21 Collection Fund shortfall. In addition, current budget plans have already assumed that £22.24m of reserves will be drawn down, including £2.80m in 2021/22 from the Budget Support Reserve and £8.34m in 2021/22 and £7.10m in 2022/23 from the COVID-19 General Reserve.
14. Details of the estimated balances and movements over the next three years was last presented in the draft budget report for 2022/2023 and a commitment was made to undertake a review to challenge and identify potential uncommitted resource as part of the final budget report. This ongoing exercise will also be used to indicate the extent that any balances could be used to partially meet the forecast outturn pressures for 2021/22.

COLLECTION FUND

Council Tax

15. During 2020/21 the challenges faced by COVID-19 placed considerable pressure on the Council Tax Collection Fund, largely related to a reduction in collection rates and an increase in Council Tax Support. The budget for 2021/2022 was set using assumptions that the impact of the pandemic would continue and an overall reduction of £3.24m was built in to reflecting higher take up of local council tax support, delays in new properties coming on line and lower collection rates. The Council's budget includes a Government backed Local Council Tax Support Grant of £1.65m to offset some of the costs associated with the higher take up of the scheme.
16. The discretionary Council Tax Hardship Scheme was extended for a further year, enabling all existing working age Council Tax Support (CTS) recipients registered as at 31st March 2021 to claim a discretionary Hardship award equivalent to the value of their 2021/2022 liability. The cost of this extension was met from an underspend from the Government sponsored hardship grant received in 2020/21. There are no plans to extend the scheme beyond the current financial year.
17. As at period 6, the projected outturn is in line with budget, however there is still a level of uncertainty in the forecast largely due to the volatility of the tax base and uncertainty in take up of the Local Council Tax Support Scheme, particularly given the wider economic uncertainty and the end of the Government's Job Retention Scheme. A prudent estimate has been made for the remainder of the year to arrive at the overall breakeven forecast. If the situation improves in the remaining six months of the year, this may deliver a positive outturn.
18. At this stage in the financial year the estimated outturn would be used to inform the changes in the base budget for the following financial year. There is an expectation that the overall reduction in 2021/2022 is one off and that the

Council Tax income will revert to prepandemic levels. Given that the Government's support grant of £1.65m will cease in 2022/2023, there is a risk of an ongoing budget pressure if the Local Council Tax Support Scheme does not reduce proportionately at the start of the next financial year. To reflect this risk a figure of £500k has been included in our draft budget plans for 2022/2023. Furthermore, consideration will be given in future monitors that any positive outturn as mentioned in the previous paragraph, be directed into a Council Tax reserve to smooth any volatility.

Business Rates

19. The 2021/2022 budget included anticipated growth in retained business rates, related S31 grants and redistribution of prior year surpluses of £7.8m. Projecting business rates is by its nature complex and prone to variation, in addition the impact on COVID-19 has added further uncertainty to the accuracy of projections.
20. In order to support businesses with the impacts of COVID-19, the Government provided various rate relief packages, with 100% relief being given to retail, hospitality and Leisure sites until July 2021 and thereafter 66% until March 2022. The Council will be compensated for the loss in rates income via a Section 31 Grant paid into the General Fund. In addition, further Government support is being offered to businesses via a discretionary scheme administered by the Council for other businesses falling outside of the 100% relief scheme, however details of the scheme have yet to be finalised. Whilst the extension of such reliefs is welcomed news, it has added to the complexity of business rate monitoring.
21. When the budget for 2021/22 was set, an assumption was made that there would be a reduction in income from businesses of 5% over the year, this resulted in a reduction in the budget of £3.49m.
22. As at period 6, cash collection rate is better than anticipated, however this has been offset by an increase in empty properties and a reduction in the base income due to properties either being redeveloped or a change in use. Whilst estimates are still difficult to predict at this stage, the period 6 monitor is largely in line with budget. The volatility in the system, particularly the emerging pattern of the increase in the number of empty properties, will need to be considered as part of the final budget planning for the 2022/23 and beyond.
23. The estimated outturn figure includes a net contribution of £2.77m to the Greater Manchester Combined Authority (GMCA) under the business rates growth pilot scheme. Given the overall uncertainty in the financial landscape, discussions are ongoing with GMCA concerning the sharing arrangement and potential for a higher proportion of growth to be retained by each local authority as was the case in 2020/21.

Impact of COVID-19

24. The impact of the pandemic on the council's finances is anticipated to last for many years and the budget for 2021/2022 includes additional resources of £8.341m to help manage the continuing impact of the pandemic. Pressures were anticipated in client demand, lost income from our strategic investments in the Manchester Airport Group and from Sales, Fees and Charges. These were offset by Government backed support and use of reserves, based on assumptions at the time, that the pandemic would last for the first quarter of 2021/2022.
25. Due to the uncertainty of the impact of the pandemic the forecasting of pressures was particularly difficult in 2020/2021 and this situation continues to be the case. The COVID-19 pressures have become increasingly difficult to separate from business as usual activity and for ease of reporting, have only been shown within the service narratives where they can be isolated rather than a separate breakdown as was the case in 2020/21.
26. The Council continues to provide regular monitoring returns to the Government Departments which will be used at a national level to inform the debate on whether additional resources will be required over the medium term.

CAPITAL PROGRAMME

Approved Budget

27. The revised value of the indicative capital programme for 2021/22 to 2023/24 as at P4 was £437.67m which included £271.98m of asset investment fund and £165.68m relating to the general programme. Since then there has been an increase in the general programme of £1.01m to a total £166.69m relating to an increase in highways grant funding. The revised overall budget is now £438.68m
28. The revised capital programme budget for this financial year is £48.44m which is net reduction of £0.55m from the P4 position of £48.99m. This will be rephased into future years and will be reviewed as part of the budget monitor throughout the year. Table 4 below details the service analysis of the revised budget (P4) and current revised budget for 2021/22 (P6).

Table 4 - Capital Programme 2021/22	P4 Revised Approved Programme £m	Current Revised Programme £m	Period Movement £m
Service Analysis:			
Children's Services	12.79	12.79	-
Adult Social Care	4.49	4.49	-
Place	30.37	29.82	(0.55)
Governance & Community Strategy	0.08	0.08	-
Finance & Systems	1.26	1.26	-
General Programme Total	48.99	48.44	(0.55)

29. The current revised position of £48.44m (a reduction of £0.55m) is a result of the period 6 monitoring exercise, with the following the areas of re-profiling as follows;
- Place
 - New Chapel and Resomation Cremators scheme has re-profiling of £950k into future years as a result of significant delays in transferring the water retailer contract to meet waste requirements. Once the correct waste licences are in place, work on the resomation cremators can begin.
 - Net increase of £400k for Highways in year, due to the new grant referenced above. The remainder of the £1.01m is being re-profiled over later years in the programme.

Status, Progress of Specific Major Schemes

30. Updates will be provided on specific issues where there is a significant impact on delivery of the forecast programme in terms of timescales or within approved resources. In addition updates on larger schemes will be provided throughout the year.

Specific Issues

- **Additional Highways Grant**

When the initial budget was set in February 2021 the assumed level of highways grant was based on previous year's allocations.

When the formal notification for 2021/2022 was received, from the Department for Transport via GMCA there was a reduction of approximately £1.2m on the approved budget. This was an impact felt across other GMCA authorities and representation was made to GMCA on how this shortfall could be addressed. As a result GMCA have reallocated some of the Integrated Transport Block to provide each authority with an uplift in grant to minimise the impact of this reduction; this has led to additional grant now being received of £1.02m. The allocation of the grant will be the subject of a future report to the Executive.

- **Carrington Relief Road**

The current assumed costs of this scheme is £29.2m, with £15.1m of the funding currently included within the Capital Programme. This is funded from a combination of Homes England grant, Growth Deal and TFGM funding in addition to Section 106 contributions from the Council.

The Council will be undertaking a procurement for further design work to progress the scheme, costing £250k. This will be funded by an early drawdown of the approved grant, provisionally agreed by Homes England, as reported to the Executive in September 2021.

- **Basic Need**

At Executive in September 2021 an update was provided on the current position regarding school places required across the borough with an approved recommendation that the following schools expansions be delivered as part of the Capital Programme;

- Willows Primary School - £3.0m
- Templemoor Infant School - £1.8m
- Moorlands Junior School - £4.0m
- Davyhulme Primary School - £3.0m

Resources

31. The general capital programme is resourced by a combination of both internal and external funding and is detailed in the shown below (table 5):

Table 5 - Capital Programme Resources 2021-24	P4 Revised Approved Programme £m	Revised Programme £m	Variance £m
External:			
Grants	29.07	30.08	1.01
Contributions	2.32	2.32	0.00
Sub-total	31.39	32.40	1.01
Internal:			
Receipts requirement	5.61	5.00	(0.61)
Borrowing	10.28	9.33	(0.95)
Reserves & revenue contributions	1.71	1.71	0.00
Sub-total	17.60	16.04	(1.56)
Total Resourcing	48.99	48.44	(0.55)

32. The movement in resources of £0.55m relates to re-phasing of the Resomation scheme, £0.95m, and the addition of new highways grant, £1.01m, and related schemes £0.4m.
33. The Land Sales and Development Programmes are continuously reviewed and are updated for any know changes within the programme. A number of sites have recently been marketed and the results of the exercise will be reported in the the P8 monitor.

At Executive in September 2021 a revised appraisal for Sale Magistrates was approved. This report recommended the inclusion of increased levels of social rented housing and an increased level of sustainability which with their associated costs and a revision to the overall construction costs to deliver a planning compliant scheme has led to a reduction in the assumed receipt from £3.0m to £1.0m. This has increased the overall deficit within the capital programme by £2.0m.

34. The current position now indicates an over-programmed level within the capital programme of £3.82m which is an increase of £2.91m from £913k that was in the original three year budget that was approved in February 2021. An update on this position will be provided as part of the next monitoring report and will take account of a number of sites that have recently been marketed.
35. The table below (table 6) highlights the overall level of over-programming and the in year surplus and deficits managed over the three year period of the

programme. The issue of over-programming will be addressed as part of the current capital programme bidding round.

Table 6 - Capital Programme Resources	Budget 2021/22 £m	Budget 2022/23 £m	Budget 2023/24 £m	Budget Total £m
General Programme Investment	48.44	77.24	41.01	166.69
Grants	30.08	59.51	26.05	115.64
External Contributions	2.32	3.60	2.80	8.72
Revenue and reserves	1.72	0.15	0.01	1.88
Prudential Borrowing	9.33	8.82	0.65	18.8
Shortfall in 20/21 Receipts	(3.38)	-	-	-3.38
Forecast Capital Receipts	5.93	5.60	9.68	21.21
Total Funding	46.00	77.68	39.19	162.87
Surplus / (Deficit)	(2.44)	0.44	(1.82)	(3.82)

Asset Investment Fund

36. In February 2020 approval was given to increase the Asset Investment Fund to £500m, supported by prudential borrowing, to support the Council's Investment Strategy. The transactions that have been agreed by the Investment Management Board to date have a total committed cost of £381.13m. The facility agreements at The Crescent (£44.26m) and phase one of the Hut Group (£30.20m) were repaid in 2020/21, and phase two of the Hut Group (£32.25m) was repaid in June 2021. This means the balance of the approved £500m which is available for further investment is £163.13m (table 8 next page).
37. These investments were budgeted to generate a net revenue benefit in 2021/22 of £7.61m. The forecast net income is £6.27m, a deficit of £1.34m compared to budget. Details of the components of the variance are shown in Table 7.

Table 7 - Asset Investment Strategy Period 6	Budget Variance £000
Net Income target	(7,609)
Pipeline Recycling Target	2,454
Variable Interest Rates	853
Joint ventures	950
HUT Group delay	632
Castle Irwell earlier draw	(194)
Reduced reserve contributions	(1,651)
HUT Group reserve smoothing	(632)
Pipeline Schemes	(1,073)
Net Income after mitigations	(6,270)
Deficit to income target	1,339

38. As part of the income shortfall mitigation, the Council has reviewed schemes currently in its pipeline, but not yet brought forward, for likelihood and benefit. From that review a prudent income forecast of £1.1m has been included against those schemes in 2021/22. This is reduction from the £1.4m forecast in the period 4 monitor, due to a reprofiling of pipeline schemes.

Table 8: Asset Investment Fund	Prior Years £m	Repayments £m	Commitment £m	Total £m
Total Investment Fund				500.00
Property Purchase:				
Sonova House, Warrington	12.17	-	-	12.17
DSG, Preston	17.39	-	-	17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	10.84	-	-	10.84
The Fort, Wigan	13.93	-	-	13.93
Sainsbury's, Altrincham	25.59	-	-	25.59
Sub Total	79.92	-	-	79.92
Property Development:				
Sale Magistrates Court	4.80	-	-	4.80
Brown Street, Hale	6.79	-	2.04	8.83
K Site, Stretford Equity	11.00	-	1.25	12.25
Former sorting office, Lacy Street, Stretford	0.87	-	0.09	0.96
Care Home Purchase	2.23	-	-	2.23
Various Development Sites	0.43	-	-	0.43
Sub Total	26.12	-	3.38	29.50
Equity:				
Stretford Mall, Equity	8.82	-	-	8.82
Stamford Quarter, Equity	16.69	-	-	16.69
Sub Total	25.51	-	-	25.51
Development Debt:				
Bruntwood; K site	10.90		1.35	12.25
Bruntwood Shopping Centre	25.57	-	-	25.57
CIS Building, Manchester	60.00	-	-	60.00
The Hut Group	62.45	(62.45)	67.50	67.50
Castle Irwell, Salford	11.28	-	7.72	19.00
Sub Total	170.20	(62.45)	76.57	184.32
Total Capital Investment	301.75	(62.45)	79.95	319.25
Albert Estate Investment	17.62		-	17.62
Total Investment	319.37	(62.45)	79.95	336.87
Balance available				163.13

Issues / Risks

39. A key risk is the ability to deliver the revised capital programme in 2021/22, and this will continue to be closely monitored and reported throughout the year and as any significant issues may arise.
40. In addition, there is the risk that the level of Capital receipts that will be realised in the year and in future will be insufficient to fund the relevant schemes in the capital programme. A prudent approach to estimating these asset receipts and development returns will continue to be taken with only receipts that have a significant level of certainty being included in the resource forecasts.

Recommendations

41. It is recommended that that the Executive:

- note the updated positions on the revenue budget, collection fund and capital programme.

Other Options

No Applicable.

Consultation

Not Applicable

Reasons for Recommendation

Not Applicable

Finance Officer Clearance **DM**.....

Legal Officer Clearance **JL**.....

DIRECTOR'S SIGNATURE ...

G. Bentley

Appendix 1

Service Review/Virements	Children's (£000's)	Adults (£000's)	Place (£000's)	Strategy & Resources (£000's)	Finance & Systems (£000's)	Governance & Community Strategy (£000's)	Council-wide (£000's)	Total (£000's)
Period 4 Outturn Report	42,456	65,108	31,065	5,539	7,666	6,160	21,478	179,472
Virements:								
Making Tax Digital budget - realign to Service					17		(17)	0
Events budget (Communications) to Customer Services (Access Trafford) – net running cost adjustment				(4)		4		0
THRIVE Contract budget			90	(90)				0
Total movements	0	0	90	(94)	17	4	(17)	0
Period 6 Outturn Report	42,456	65,108	31,155	5,445	7,683	6,164	21,461	179,472

