

## TRAFFORD COUNCIL

Report to: Executive

Date: 29<sup>th</sup> January 2024

Report for: Information

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

Report Title:

**Budget Monitoring 2023/24 Period 8 (April 2023 to November 2023)**

### Summary:

The purpose of this report is to inform Members of the 2023/24 projected outturn figures relating to both Revenue and Capital budgets.

It also summarises the projected outturn position for Council Tax and Business Rates.

The report is divided into three parts:-

- **Part 1** – Provides at “At a Glance” high level summary of the key aspects of the budget monitoring position
- **Part 2** – An Executive Narrative of the Projected Outturn and Outlook
- **Part 3** – A list of annexes containing specific detail on the individual directorate positions, capital programme, savings programme, schools’ budgets and Trafford’s share of Council Tax.

The outturn forecast has improved from Period 6 £0.51m overspend to Period 8 £0.59m underspend. This is positive news which reflects the effectiveness of our financial management practices and those additional controls put in place to contain the forecast adverse outturn anticipated earlier in the year.

### Recommendation(s)

**It is recommended that the Executive:**

- a) note the report and the estimated revenue outturn position showing a budget underspend of £0.59m a positive movement of £1.09m since Period 6;
- b) note the update on the Capital Programme as detailed in Section 6 and Annex 3.

c) Note that due to the positive movements in the estimated outturn since Period 6, that no new management actions are required at this point in 2023/24.

**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	Expenditure is aligned to meet the priorities with the Corporate Plan which is aligned to the GM policy and strategy where required.
Financial	It is the responsibility of the Executive to operate within the budgetary framework set by the Council when it agreed the budget for 2023/24 at the Council Meeting on 15 February 2023.  Revenue and capital expenditure to be contained within available resources in 2023/24.
Legal Implications:	Non 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

## PART 1 - At a Glance Executive Summary

This Period 8 report provides an “At a Glance Executive Summary” which focuses on a high level summary of the estimated outturn. Supporting annexes provide detailed explanations and movements.

### At a Glance Sections

- Section 1 - Revenue Service Budget Outturn and Variance
- Section 2 - Revenue Funding General Fund Budget Outturn and Variance
- Section 3 - Collection Fund – Business Rates and Council Tax
- Section 4 - Earmarked Reserve movements
- Section 5 - Delivery of in-year savings programme
- Section 6 - Capital and Asset Investment Programme and Prudential Indicators
- Section 7 - Dedicated Schools Grant Outturn

## Total Revenue Budget 2023/24

Approved Revenue Budget

**£209.81m (\*)**

Projected Outturn at Period 8

**£0.59m Underspend**

Comprising of an Underspend on Revenue Service Budgets of **£2.09m** (see Section 1), offset by a shortfall on funding budgets (Business Rates) (see Section 2) of **£1.50m**

Movement since Prior Period

**£1.09m Favourable**

(\*) The Net Revenue Budget increased since that agreed in February 2023 at Council from £209.38m to £209.81m as a result of a late notification of an increase in the Public Health Grant allocation of £430k. Full Council also approved delegated authority to the Director of Finance and Systems to vary the net Revenue Budget for any changes in the assumed level of this grant.

## Section 1- Revenue Service Budget

### Revenue Service Budget 2023/24

Approved Revenue Service Budget

**£209.81m**

Projected Outturn at Period 8

**£2.09m Underspend**

Comprising of

Overspend on Directorate Budgets

**£1.35m**

Underspend on Council Wide/Corporate Budgets

**£3.43m**

Movement since Prior Period

**£1.09m Favourable**

**Table 1 - At a Glance – Variance by Service Directorate**

<b>Service Directorate</b>	<b>2023/2024 Budget £000</b>	<b>Outturn £000</b>	<b>Full Year Variance £000</b>	<b>Change from Prior Period £000</b>
Children's Services	49,056	52,244	3,188	(222)
Adult Services	60,848	59,136	(1,712)	(814)
Public Health	13,381	13,206	(175)	(64)
Place	38,546	38,463	(83)	(170)
Strategy & Resources	10,637	10,366	(271)	(55)
Finance & Systems	9,516	9,665	149	(47)
Legal & Governance	3,575	3,827	252	75
<b>Total Directorate Budget/Act/Variance</b>	<b>185,559</b>	<b>186,907</b>	<b>1,348</b>	<b>(1,297)</b>
Council-wide budgets	24,247	20,813	(3,434)	203
<b>Net Service Budget/Outturn/Variance</b>	<b>209,806</b>	<b>207,720</b>	<b>(2,086)</b>	<b>(1,094)</b>

	Variance £000	Movement from Prior Period £000
<b>Directorate Budgets</b>		
Children's placements	1,936	(141)
Children's Home to School Transport	1,005	(4)
Running costs – S17 payments (Childrens)	793	268
Adult Social Care demand	(522)	(458)
Foster Parents Inflation pressures	252	0
Contribution from Inflation Risk Reserve Foster Parents Inflation	(252)	0
Market Sustainability & Improvement Fund (Adults)	(1,088)	(300)
Staffing (Children's, Adults, Public Health)	(561)	(310)
Staffing (all other areas)	(1,394)	(159)
Strategic Property	148	360
Energy Costs	(986)	(239)
Planning Income	608	(23)
Other	1,409	(291)
<b>Directorate Budget Sub-Total</b>	<b>1,348</b>	<b>(1,297)</b>
<b>Council Wide</b>		
Treasury Management	(3,076)	394
Inflation 23/24 pay award	700	0
Contribution from Inflation Risk Reserve	(700)	0
Housing Benefit	490	(34)
Contribution from Housing Benefit Risk Reserve	(490)	34
Release of general contingency	(350)	(350)
Council Wide Other	(8)	159
<b>Council Wide Sub-Total</b>	<b>(3,434)</b>	<b>203</b>
<b>Net Service Budgets</b>	<b>(2,086)</b>	<b>(1,094)</b>

Further details on individual directorate positions are included at **Annex 1**.

A summary of major variances is included in the Executive Summary in **Part 2**.

## Section 2 – Revenue Funding Budget – General Fund

### Revenue Funding Budget 2023/24

Approved Revenue Funding Budget  
Business Rates £81.48m  
Council Tax £120.92m  
Reserves £7.40m

Outturn at Period 8  
Business Rates **£1.5m adverse**  
Council Tax on budget  
Reserves on budget

**Total £209.81m**

**£1.5m Adverse**

Uncertainty in timing of rates benefit from major refurbishments at Trafford Centre.  
**Contribution to Business Rates Risk Reserve in 2023/24 by £1.5m**

Uncertainty in Council Tax income due to increase in exemptions and discounts.  
**Council Tax Risk Reserve of £0.5m is available to smooth any impact**

Movement since prior Period

**£0m**

The Revenue Funding General Fund Budget comprises of income from Business Rates, Council Tax and Reserves.

The General Fund budgets for Business Rates and Council Tax are fixed at the beginning of the year. In-year income from Business Rates and Council Tax is monitored through the Collection Fund (see next section). Any surplus or deficit on the Collection Fund is either distributed or collected in the following financial year. The Business Rate and Council Tax Risk Reserves are available to smooth the impact if a deficit is forecast.

The Business Rate Risk Reserve will be drawn down by £2.2m in 2023/24 to reflect a shortfall in income (see next section). In order to reflect the ongoing risk of any further downturn in rates income, the reserve has been **bolstered by £1.5m** from the General Fund.

## Section 3 – Collection Fund Business Rates and Council Tax

### Business Rates and Council Tax

#### Total Budget

Business Rates £81.48m

Council Tax £120.92m

#### Business Rates

Outturn £2.20m deficit

#### Underlying Outturn Themes

Overall reduction in rates income of £2.20m due to flagship stores being empty during refurbishment at the Trafford Centre

A surplus in the Collection Fund due to lower award of rates reliefs, offset by shortfall in Relief Grants in the General Fund.

Net shortfall of £2.2m will be met from the Business Rates Risk Reserve.

Business Rates Risk Reserve will be replenished by £1.5m from General Fund to reflect further risk associated with temporary closures/refurbishments and properties coming back on-line.

#### Council Tax

Outturn £0.95m surplus

#### Underlying Outturn Themes

Review of historic bad debt provision released £1.2m

Tax base shortfall due to higher level of Discounts (single person) and Exemptions £0.88m

Favourable lower level of Council Tax Support £0.74m

Cost of discretionary awards under the Council Tax Support Scheme £0.34m offset by a contribution from Support Fund Grant

Adverse pressure from backdated claims £0.1m

#### Council Tax

- There is a favourable outturn forecast of £0.95m of which Trafford's share is £0.78m (see Annex 4 for a breakdown of Trafford's share). Since P6 the outturn forecast has improved by £67k which is mostly due to a reduction in the number of backdated claims as a result of a backlog at the Valuation Office Agency.

- The favourable outturn forecast of £0.95m is largely due to a one off release of £1.2m from the bad debt provision following a review of assumptions relating to historic bad debt.
- There continues to be a shortfall in the taxbase due to a substantial increase in the number of claims for Council Tax Discounts (e.g., single person) and exemptions when compared with budget assumptions, resulting in a shortfall of £0.88m. The situation has improved as the year has progressed and our budget plans for 2024/25 which had assumed a recurrent impact will be adjusted accordingly.
- Favourable variance of £0.74m due to lower number of claims for Council Tax Support awards, partly as a result of higher claims for discounts above.
- The additional temporary discretionary support scheme introduced in 2023/24 to support claimants not already getting 100% CTSS discount has cost £0.34m. This has been fully compensated from an additional Government Grant, resulting in a neutral impact.
- £0.1m reduction in anticipated backdated claims (changes in banding appeals etc) leaves a pressure of £0.1m.
- **Outlook** – A recurrent shortfall of circa £600k was forecast at Period 4 largely as a result of the increase in discounts and exemptions and this was built into the draft budget plans for 2024/25. The improved position relating to a reduction in claims for discounts and lower awards of Council Tax Support will be reflected in the MTFP when setting the final 2024/25 budget.
- Trafford's share of the 2023/24 estimated outturn (£0.78m) will be released in the 2024/25 financial year and will be reflected in the final budget plans.

### **Business Rates**

- Period 8 has seen an adverse net outturn of £2.20m, an adverse movement of £0.4m since Period 6. This consists of a surplus in the collection fund of £1.6m and a deficit in the general fund of £3.8m. The overall shortfall is due to a number of flagship stores at the Trafford Centre being empty whilst refurbishment works are undertaken. This shortfall will need to be met from the Business Rate Risk Reserve.
- To reflect the ongoing risk of a shortfall in rates income due to future refurbishments, the Business Rate Risk Reserve has been bolstered by £1.5m from the General Fund (see previous section).
- **Outlook** – As in previous years, there is a significant risk in forecasting the temporary pressures caused by major refurbishments, changes, and new sites at the Trafford Centre. During the year, these temporary reductions have caused a greater impact than previously anticipated due to the long delays in the VOA reinstating refurbished sites back into the Rating List. The Business Rate Risk Reserve will be utilised to smooth any timing issues in the delivery of benefits. Work is ongoing to look at the future health of rateable value and how ongoing developments may impact this as well as discussions with the VOA regarding the timeliness of entering sites onto the Rating List.



## Section 4 – Earmarked Reserves

### Earmarked Reserves (excluding COVID)

Opening Balance April 2023 (pre audit)

Estimated Balance March 2024

**£73.98m**

**£66.84m**

Estimated decrease in the year at Draft Budget stage

**£7.14m**

There was a detailed review of reserves in preparation of the draft 2024/25 budget and a further review will be undertaken as part of the final 2024/25 budget. This will also take into account the movements identified in the period monitoring.

## Section 5 – Delivery of in-year savings programme

### Savings Programme 2023/24

Savings Target

**£11.76m**

Savings Achieved

**£11.75m (99% Achieved)**

Below Target by

**£10k**

Further details in **Annex 2**

A forecast outturn of £11.75m, with only 2 schemes forecasting a shortfall of £110k. Mitigating action/ alternative savings have been identified on 1 scheme of £100k reducing the net shortfall to £10k.

## Section 6 – Capital Programme

### Capital Programme 2023/2026

Current Value of three year programme

**£212.95m**

Revised Capital Programme  
2023/24 at P6

**£87.73m**

Revised Capital Programme  
2023/24 at P8

**£87.76m**

Increase in 2023/24 programme.

**£0.03m**

### Prudential Indicators

The objectives of the Prudential Indicators are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and to support and record local decision making in manner that is publicly accountable.

Capital Expenditure Indicators – have been updated to reflect the revised programme.

External Debt Indicators - No limits or operational boundaries have been breached.

Affordability Indicators – Finance costs to Net Revenue Stream has been updated to reflect interest receipts from investments. This has resulted in a short-term improvement in affordability.

Further details in **Annex 3**

Since P6 further changes have been made to reflect current expectations along with the inclusion of new grants and contributions to support current and new schemes. These changes have resulted in the following:

**Three Year Programme** – A reduction of £1.36m. Largely due to: -

- The award of a new grant of £0.56m from DfE for Childcare Expansion Capital works.
- The removal of the scheme for the installation of two resomation cremators at the crematorium of £1.95m.

**2023/2024 Programme**

- The revised capital programme budget is £87.76m which is a net increase of £0.03m from P6 as a result of a grant award from TfGM.

## Section 7 – Schools Related Expenditure

### Dedicated Schools Grant

Schools, Central and Early Years Blocks - **Forecast Underspend £0.06m**

High Needs Block - **Forecast Overspend £7.21m**

Total Outturn

**£7.15m adverse**

Movement since previous Period

**£0.68m adverse**

#### DSG Reserve

Combined Deficit brought forward April 2023 overdrawn **£1.47m**

Of which High Needs overdrawn **£4.14m**

**Estimated combined deficit at year end £9.98m**

Of which High Needs overdrawn **£11.35m**

Details in **Annex 1**

**Schools Related Expenditure (Dedicated Schools Grant is a separate ring-fenced account and not part of general outturn detailed above)** – There is a net overspend across all four grant blocks of £7.15m. An overspend of £7.21m in the High Needs Block has been offset by an underspend of £65k on the remaining blocks.

The overspend in 2023/24 will result in a year end accumulated DSG deficit of £9.98m, consisting of a High Needs deficit of £11.35m, offset by a surplus on other blocks of £1.37m.

Funding for HNB was increased by £3.9m in 2023/24 and was a welcome recognition that the existing funding is not sufficient, however the overspend provides evidence that funding remains insufficient.

It is expected that LA's balance their in year spending by 2025/26, there is a real risk that Trafford will not be able to do that.

Work continues to take place on the DSG deficit management plan with proposals and options being discussed with the DfE. The plan has been scrutinised by the SEND Board and will be presented to Funding Forum and the Finance and Change Board at the next opportunity.

## **PART 2 – Executive Narrative Summary of Estimated Outturn and Outlook**

### **Revenue Outturn Summary**

#### **1. There is a net projected outturn underspend of £0.59m for the year and a favourable variance of £1.09m since Period 6.**

- 1.1. This monitor can be used with more certainty and to give a direction of travel of the potential final outturn and firm up any assumptions used in preparing the future budget.
- 1.2. The outturn forecast has improved from Period 6 £0.51m adverse to Period 8 £0.59m favourable. This is positive news which reflects the effectiveness of our financial management practices and those additional controls put in place to contain the forecast adverse outturn anticipated earlier in the year.
- 1.3. The positive estimated outturn reduces the likelihood of unplanned use of the limited earmarked reserves and also provides an opportunity to bolster the Budget Support Reserve to help address the significant budget gap in future years. The positive movement of £1.09m from Period 6 is largely due to improvements in adults demand (£0.46m), a release of general contingency (£0.35m) and staffing underspends (£0.47m).
- 1.4. It is fair to say that projecting the financial outturn in recent years has been challenging given the level of uncertainty in the economy from the conflict within Ukraine and the high levels of inflation. The escalating conflict in the Middle East has added an additional layer of uncertainty which could trigger further volatility in the inflation forecast if the recent fluctuations in oil prices continues over the medium term.
- 1.5. The additional pressures caused by inflation were recognised during 2022/23 and an opportunity was taken to bolster the Inflation Risk Reserve by £1.5m to £4.5m. In 2023/24 £0.95m of the reserve will be utilised to cover higher costs of the Local Government pay award and Foster Parent payments. These recurrent pressures have been added to our budget plans for 2024/25.
- 1.6. Inflation (CPI) has dropped significantly since Period 6 from 6.7% in September 2023 to 3.9% in November 2023 which provides some reassurance of the robustness of the 2024/25 budget assumptions such as, the Local Government pay award and contractual inflation. The reducing levels of inflation has given the opportunity to review the level of the Inflation Risk Reserve and our Draft Budget Report 2024/25 proposed a transfer of £2.5m to the Budget Support Reserve. This will leave a balance of circa £1.0m on the Inflation Risk Reserve at year end.
- 1.7. Inflation relating to energy costs has dropped significantly from the highs seen last year. The energy budget is forecast to underspend by £0.99m suggesting that the combined effect of the new energy contracts, energy saving measures and the growth built into the 2023/24 budget are sufficient to contain the impact. However, given the volatility in energy markets seen last year, and the more

recent increases triggered by the conflict in the Middle East, it cannot be assumed that long term stability has returned.

- 1.8. With regard to the net outturn position, the following issues are worthy of being highlighted along with issues to consider on their impact on future plans :-

**Service underspends include: -**

- **Treasury Budget** - The interest rate at the time of setting the budget has increased significantly. This average investment rate has seen an increase in income, which along with careful cash management has enabled a delay in taking on new external borrowing until later in the year. This has generated additional investment income of **£3.08m above budget**. This is a £394k adverse variance from period 6, due to new borrowing now forecast in 2023/24 in order to provide financing for capital spending in year and reduce the Council's under-borrowed position.
- **Staffing budgets** net forecast **underspend of £1.96m**, due to delays in recruitment and service restructures. This underspend was a significant factor in the overall favourable outturn in the last financial year and it is possible that this figure will increase further as the year progresses due to difficulties in recruitment. Whilst significant underspends on staffing budgets are welcomed from a finance perspective, they should not become a recurrent theme if the recruitment exercises are successful.
- **Market Sustainability and Improvement Fund - £1.008m grant utilised to offset expenditure**. The Council was awarded an additional allocation of £1.438m during the year. £1.088m of the grant has been allocated to date, with £788k being used to offset the costs of provider uplifts applied at the start of the financial year and £300k being used on schemes including overtime for social workers to reduce a backlog of assessments. The remaining balance of £350k will be allocated against schemes in progress. All of this supports the three target areas.
- **Adults demand – underspend £522k** a favourable movement of £458k from P6 as a result of a decrease in the projection of care package costs. This budget remains high in complexity and volatility as it is in part driven by wider system pressures in health in addition to direct adult social care demands. Within this projection there is a contingency of £315k to mitigate rising costs as a result of increasing complexity of existing clients and demand from new clients.
- **Energy costs** - The property energy budget was increased by 200% in 2023/24 to address the escalating costs of inflation. Following an ongoing analysis of energy bills there is an estimated **favourable outturn of £986k** an improvement of £239k from P6. This indicates the new contract, energy saving measures and additional resources were sufficient to manage the ongoing impact.
- **Release of general contingency - £350k favourable outturn**. The Council-wide budget includes a general contingency of £1.9m used to offset a number of commitments currently totalling £1.2m, leaving an uncommitted balance of £0.7m, a decrease of £0.1m since Period 6. It is

therefore considered prudent at this stage in the financial year to release a proportion of this contingency to the value of £0.35m.

**Pressures include:-**

- **Children's placements £1.94m overspend** due to an increase in the number of children entering care. Although the number of children entering the system has reduced, the cost and complexities of children coming into care outweigh the costs of those leaving care. The savings programme includes £1.0m target to reflect activity aimed at children stepping down from care. Although the Step Down programme is expected to achieve its target, the fact that incoming placements have increased has placed the total budget under pressure.
- **Inflation** – The escalating levels of inflation caused significant pressure in the previous financial year and continues to be an area of concern. The earmarked Inflation Risk Reserve was bolstered during the 2022/23 closedown for this purpose and **£952k will be drawn down** in 2023/24 to neutralise the impact of the Local Government pay award and Foster Parent payments. These additional pressures have been added to our budget plans for 2024/25.
- **Home to School Transport - £1.005m overspend** (£4k favourable movement from P6) due to the continued increase in demand in passenger numbers and complexity of cases. Some savings have been realised due to the use of Q-routes, a system which helps automate route planning resulting in reducing passenger mileage and travel time. This is a part of a new system that was implemented to manage school runs from September 2023. It is anticipated that the benefits from the system will result in further efficiencies.
- **Planning Income - £608k overspend**, favourable movement of £23k due to a shortfall in planning applications. This pressure will be partly addressed in 2024/25 following an increase in planning fees and additional resource added to 2024/25 budget plans.
- **Running costs – S17 payments (Childrens) - £793k overspend**, adverse movement of £268k. Expenditure has increased on s17 due to an extensive support package for a child living at home costing the service £249k. Managers have been instructed to ensure that authorisation is sought for essential spend only within this area of the budget and close analysis of the spend continues.
- **Housing Benefit - £490k overspend**, favourable movement of £34k. At least £400k of the underlying pressure is caused by an increase in the number of tenants requiring to be housed in emergency/temporary accommodation which attracts a lower subsidy from the Government.
- **Strategic Investment Programme** budget was reduced by £1.5m in 2023/24 in recognition of the recurrent shortfall in this budget due to the downturn in the economy. The revised budget is £6.09m and there is an **adverse forecast outturn of £148k**. This is a £360k adverse movement from Period 6 which is mainly attributable to a slower than anticipated use of agreed debt facilities in 2023/24, with income hence being rephased into 2024/25. The Council continues to work to bring forward new investments to meet the challenge of those being repaid.

The Risk Reserve is forecast to be £3.8m at the end of this financial year. Opportunities will be considered to increase this over the coming year given current economic uncertainty.

- **Other net adverse movements of £1.41m across all areas**, favourable movement of £291k. There is a general service budget capacity/efficiency target of £1.0m across all service areas. This efficiency target was increased in the 2023/24 budget to reflect a general expectation that services will underspend in all areas as a result of vacancy management and reductions in general administration such as travel and stationery supplies. Additionally, there is a £200k overspend relating to a continuing increase in demand for Trafford Assist
- **Other considerations - Contingency Budgets**  
Within the estimated outturn there are several contingency budgets held back to absorb any unforeseen changes in demand for the remainder of the year. Contingency budgets of £302k and £315k remain in Children's and Adults client placement budgets. £350k remains of the general Council Wide contingency after releasing £350k in P8 and £1.2m of commitments have been made.

## **Revenue Budget Funding and Collection Fund**

### **1.9. Council Tax**

- 1.9.1. There is an estimated in year surplus of £0.95m, largely due to a one off release of £1.2m from the bad debt provision following a review of assumptions relating to historic bad debt. However, there is still a recurring pressure of £0.3m from a combination of an increase in discounts and exemptions, pressure from backdated claims and reduction in council tax support.
- 1.9.2. Compared to budget there is a substantial increase in the number of claims for Council Tax Discounts (e.g., single person) and exemptions resulting in a shortfall of £0.88m. The situation has improved as the year has progressed and our budget plans for 2024/25 which had assumed a recurrent impact will be adjusted accordingly.
- 1.9.3. A favourable variance due to lower number of claims for Council Tax Support awards of £0.74m, partly as a result of higher claims for discounts above.
- 1.9.4. The additional temporary discretionary support scheme introduced in 2023/24 to support claimants not already getting 100% CTSS discount has cost £0.34m. This has been fully compensated from an additional Government Grant, resulting in a neutral impact.
- 1.9.5. The ongoing impact of any recurrent shortfall will need to be considered when preparing the 2024/25 budget.

### **1.10. Business Rates**



- 1.10.1. Period 8 has seen an adverse net outturn of £2.2m largely due to flagship stores at the Trafford Centre being empty whilst refurbishment works are undertaken. This shortfall will be met from the Business Rates Risk Reserve, however a top up of the reserve of £1.5m will be made from the General Fund to reflect the ongoing future risk of further delays.
- 1.10.2. As in previous years, there is a significant risk in forecasting the temporary pressures caused by major refurbishments, changes, and new sites at the Trafford Centre. The Business Rate Risk Reserve will be utilised to smooth any timing issues in the delivery of benefits. Work is continuing to look at the future health of rateable value and how ongoing developments may impact this.

## **1.11. Earmarked Reserves**

- 1.11.1. A full review of all reserves was completed as part of the 2024/25 draft budget and a further update will be provided at the time of the final budget.

## **2. Outlook and Summary**

- 2.1. The economic uncertainty will continue to be felt for some time to come and must be managed alongside a significant budget gap in our Medium Term Financial Plan. The draft budget plans for 2024/25 have included additional growth to reflect some of the recurrent pressures identified in the monitors, particularly around Children's services. The final budget will be considered by the Executive on 21<sup>st</sup> February 2024 and will reflect any changes to assumptions informed by this monitor.
- 2.2. Although the outturn forecast is favourable, it is essential that a cautious approach is maintained in managing the budget given the size of the budget gap in our medium term plan and the fact that many positive contributing factors in 2023/24 are non-recurrent, such as the underspend on staffing, the benefits from the Treasury investments and the non-recurrent elements of the Market Sustainability and Improvement Fund Grant.
- 2.3. The additional Market Sustainability and Improvement Fund Grant of £1.438m, received after the budget was set was welcome news and its use in paying towards increased fee rates to care providers has been a significant factor in the overall favourable outturn. The December 2023 Provisional Local Government Financial Settlement confirmed that the 2023/24 grant of £1.438m would not continue in 2024/25 and would be replaced by a second tranche of £0.808m. It was hoped that the 2023/24 grant would continue, as the main principle of the grant was to stabilise the care provider market by covering recurrent cost pressures. The contribution made by the 2023/24 grant will not be a recurrent feature in 2024/25.
- 2.4. With respect to the 2024/25 budget, the small positive movements in Children's placements and Home to School Transport would not suggest that any change in assumptions on the growth added at draft budget stage. However, there are several evolving pressures which will need to be considered as part of the final

budget plans for 2024/25. These include the pressures within the Housing Benefit budget which is due to additional costs of temporary/emergency accommodation and the growing shortfall in planning fee income.

- 2.5. The release of the central contingency is another area which has added to the overall favourable outturn; however, it should be noted that our plans for 2024/25 already include a significant reduction in this budget provision of £0.5m.
- 2.6. The positive outturn in the Treasury Management budget is a further significant factor of the favourable outturn. This is due to the high interest environment and the way the Council has managed its cash balances to limit costly borrowing while investing any surplus cash to generate investment income. As the Council continues to utilise its cash balances in meeting the revenue budget gap, the existing capital programme and externalises its new borrowing, the benefits experienced in 2023/24 will reduce significantly.
- 2.7. The increasing deficit on the High Needs Block within the schools DSG budget is an area of concern and which is forecast at £11.35m overdrawn by year end. It is expected that LA's balance their in year spending by 2025/26 and there is a real risk that Trafford will not be able to do that. This is a national issue and work continues to take place on the DSG deficit management plan with proposals and options being discussed on a regular basis with the DfE. Although it is currently treated as an issue held outside of the Council's General Fund, the fact that the council has been required to direct its own cash resources to make up the shortfall in grant is having an adverse impact on cashflow and investment returns.
- 2.8. At this stage in the year, no further management actions are recommended other than those previously agreed, as follows.
  - The current management action, which included a policy on vacancy management and a review of all non-essential spend will remain in place for the foreseeable future.
  - Significant staffing underspends have been evident in the last two financial years and the vacancy factor/general budget efficiency factor was increased to reflect this. As the staffing vacancies are filled, attention needs to be paid on the adverse impact this has on the delivery of the wider vacancy factor.
  - As part of the work being undertaken by the Finance and Change Board, to provide additional focus and challenge on recurrent pressures within demand led budgets, such as Child placements and Home to School Transport. This will include a review of alternative delivery models.
  - Delivery of the 2023/24 savings programme is progressing well with 99% estimated to be achieved, however vigilance should remain in ensuring that forecasts are achieved. Particularly in those areas classed as Red or Amber on delivery risk.
- 2.9. The scale of the challenge faced means that the Council must continue to, identify significant permanent savings, lobby the Government to address the unfairness of the funding formula and maintain prudent financial management.

## **Recommendations**

It is recommended that the Executive:

- a) note the report and the estimated revenue outturn position showing a budget underspend of £0.59m a positive movement of £1.09m since Period 6;
- b) note the update on the Capital Programme as detailed in Section 6 and Annex 3;
- c) Note that due to the positive movements in the estimated outturn since Period 6, that no new management actions are required at this point in 2023/24.

## **Other Options**

No Applicable.

## **Consultation**

Not Applicable

## **Reasons for Recommendation**

To inform Members of the 2023/24 projected outturn figures relating to both Revenue and Capital budgets and summarise the projected outturn position for Council Tax and Business Rates.

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

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

**DIRECTOR'S SIGNATURE** .....GB.....

# **PART 3 - Annexes**

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

The main variances contributing to the projected underspend of £0.94m, any changes to budget assumptions and associated key risks are highlighted below:

Table : Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	3,188	<p><b>Projected outturn variance £3.188m adverse, favourable variance from previous reporting period of £(222)k.</b></p> <p>Below is the projected position on children's placements and other budget areas.</p> <ul style="list-style-type: none"> <li>• £1.936m over budget on Children's placements (note 1);</li> <li>• £(534)k under budget on staffing (note 2);</li> <li>• £1.005m over budget on home to school transport (note 3).</li> <li>• £781k over budget on other running costs and income across the service (note 4);</li> </ul> <p><b>Note 1</b> Children's placements are expected to overspend by £1.936m. This is a favourable movement of £(141)k. The reasons for this movement are as follows:</p> <ul style="list-style-type: none"> <li>• £433k new placements</li> <li>• £221k new step ups</li> <li>• £156k delayed step downs</li> <li>• £104k price increases</li> </ul> <p>These are offset by £1.056m of step downs, children leaving care, additional grant income and contingency being utilised. There is £302k of contingency remaining for new placements between now and the end of the year.</p> <p>This overspend assumes that the £1m savings target will be met. 26 children who are expected to be stepped down have been identified and are being closely monitored.</p> <p>The numbers of children as at the end of November compared to those at the end of September are as follows:-</p> <ul style="list-style-type: none"> <li>• children in care 371, an increase of 14</li> <li>• child protection 229, an increase of 4</li> <li>• children in need 704, an increase of 1</li> </ul>

**Note 2**

The favourable variance in staffing is £(534)k. This is a favourable movement of £(323)k from P6 due to the further delay of the Intensive Family Support, Trafford Team Together and Family Hubs restructure and a number of unfilled vacancies across the service. The service continues with its redesign and recruitment drive during 2023/24 and it has been assumed in the projections that this will be complete in the following financial year.

**Note 3**

The projected overspend on Home to School Transport is £1.005m, this is a favourable movement of £(4)k from P6.

Savings have been realised on a couple of the runs due to the use of Q-routes, a system which helps automate route planning resulting in reducing passenger mileage and travel time. This is a part of the new system that has been implemented to manage school runs from September. It is hoped that once the system is fully implemented, further efficiencies will be made.

**Note 4**

The adverse variance in running costs and income across the service is £781k, an adverse movement of £245k, as outlined below:

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- £125k adverse variance on Partington & Sanyu nurseries, an adverse movement of £17k;
- £1.026m adverse variance in running costs, an adverse movement of £259k due to: -
  - S17 – There has been an adverse movement of £268k within the s17 spend, the adverse variance is now £793k. Managers have been instructed to ensure that authorisation is sought for essential spend only within this area of the budget and close analysis of the spend continues.
  - Other running costs £233k adverse, a favourable movement of £(9)k.
- £(370)k favourable variance on income and minor variances, a favourable movement of £(30)k.

At present, there is a grant for Supporting Families (SF) of £811k within the Children's Services budget of which £755k has been allocated. The payment of this grant depends on meeting clear

		<p>performance measures against 10 outcomes and 34 criteria being implemented alongside regression checks. Grant funding for future years is reliant on the achievement of outcomes and is therefore not guaranteed. Rigorous monitoring against the measures is in place.</p>
Adult Services	(1,712)	<p>Projected outturn £(1.712)m favourable variation a favourable movement of £(814)k from period 6.</p> <p>Below is the projected position on Adult clients and other budget areas.</p> <ul style="list-style-type: none"> <li>• £(522)k favourable variance on Adults Clients a favourable movement of £(458)k from period 6 (note 1);</li> <li>• £(102)k favourable variance on staffing and running costs £(56)k favourable movement (note 2);</li> <li>• Risks (note 3)</li> <li>• Market Sustainability and Improvement Fund £(1.088)m favourable variance a favourable movement of £(300)k from P6 (note 4).</li> </ul> <p><u>Note 1</u> Adults Clients projected £(522)k favourable variation.</p> <p>This budget remains high in complexity and volatility as it is in part driven by wider system pressures in health in addition to direct adult social care demands</p> <ul style="list-style-type: none"> <li>• supporting the NHS with rapid discharges from hospitals as they deal with the backlog of patients waiting treatments</li> <li>• increased mental health support</li> <li>• assessing the impact of the cost of living and inflationary pressures on client contributions.</li> <li>• an aging population within the borough and demographic pressures</li> <li>• workforce pressures across the health and social care system.</li> </ul> <p>Packages of Care – The projected outturn position is a £(522)k favourable variance a favourable movement of £(458)k from P6. The favourable movement is due a reduction in projected expenditure on packages of care. Within this projection is a contingency of £315k to mitigate rising costs as a result of increasing complexity of existing clients and demand from new clients.</p> <p>Savings – The savings target for 23/24 is £1.131m and £754k has been achieved to date. It is assumed that the savings target will be achieved in full by the end of the financial year.</p>

Discharge to Assess –The government announced additional funding with effect from 1 April 2023 for Adult Social Care to enable local authorities to continue to expediate hospital discharges, the Trafford locality received an allocation of £2.197m to be utilised to maintain capacity in Discharge to Assess Beds and temporary homecare until the 31 March 2024. In addition, the Council has elected to direct a further £1.289m of funding towards this programme meaning the total budget for 23/24 amounts to £3.486m. It is anticipated that this budget will be utilised in full by the end of the financial year.

#### Note 2

The projected outturn position for staffing and running costs is a £(102)k favourable variance a favourable movement of £(56)k from period 6. The 23/24 budget included a vacancy factor target of £955k, the target has been overachieved by £(162)k at period 8.

The £(102)k favourable variance is made up of:-

- £162k adverse variance in the DOLS service due to forecasted expenditure above budget on external DOLS assessments.
- £(190)k projected favourable variance on Assistive Technology and equipment based upon year to date activity.
- £(74)k favourable variance on running costs and minor variations.

Also included within the £102k net variance is £130k of funding from Homes for Ukraine, a £404k contribution from reserves in the Internal supported living service and £59k funding from the Urgent and Emergency Care Fund.

Savings – The savings target for 23/24 is £50k. It is assumed that the savings target will be achieved in full by the end of the financial year.

Internal Supported Living Service – Work to assess the cost of a safe staffing establishment aligned with the individual needs of the whole cohort for 2023/24 and future years has now been completed and the estimated financial envelope required has been included within the Medium Term Financial Plan from the 24/25 financial year. As at period 6 the service is forecasting an overspend of £404k this is mitigated by a planned contribution from reserves in this financial year.

#### Note 3

Ascot House is a Council owned building that is currently dual purpose. The Council operates a 9 bedded Discharge to Assess unit within the building, in addition to this there is a 36 bedded



		<p>Intermediate care service operated by Manchester Foundation Trust and Commissioned by NHS Trafford Integrated Care Board.</p> <p>The Intermediate Care service is operated on a pass through arrangement, whereby a large proportion of the overall staffing costs are recharged to Manchester Foundation Trust (MFT) by the Council. Due to significant financial pressures MFT have signalled their intention to limit pass through costs from the Council to £1.854m in this financial year. Projections suggest that the Council will incur £2.267m in costs relating to the service leaving a pressure of £413k. This presents a risk to the Council as there is currently no agreement on how this is to be met, though mitigations have been applied to cap this figure.</p> <p>There has been no resolution to this matter and therefore the Council has been forced to reduce funding available to support Hospital discharge capacity to mitigate the pressure in this financial year.</p> <p><u>Note 4</u> £1.088m favourable variance.</p> <p>The government announced the Market Sustainability and Improvement Fund (workforce) on the 28 July 2023. The announcement confirmed an additional allocation of £1.438m for the Council. The grant has target areas as part of the fund conditions, at least one of which must be identified for use of the funding:</p> <ul style="list-style-type: none"> <li>• increasing fee rates paid to adult social care providers in local areas</li> <li>• increasing adult social care workforce capacity and retention</li> <li>• reducing adult social care waiting times</li> </ul> <p>£1.088m of the grant has been allocated to date, with £788k being used to offset the costs of provider uplifts applied at the start of the financial year and £300k being used on schemes including overtime for social workers to reduce a backlog of assessments. The remaining balance of £350k will be allocated against schemes in progress. All of this supports the three target areas.</p>
Public Health	(175)	Public Health is forecasting a £(175)k favourable variance as at period 8 a favourable movement of £(64)k from period 6. This is due to projected expenditure on staffing below budget of £27k and a favourable variation on running costs and activity related budgets of £(148)k.

Place	(83)	<p><b>Total forecast outturn variance £(83)k favourable, a favourable movement of £(170)k.</b></p> <p><b>Place Revenue Budget £(231)k favourable, a favourable movement of £(530)k:</b></p> <ul style="list-style-type: none"> <li>• Energy costs are £986k below the figure predicted when the budget was set in February. This underspend is £239k higher than last reported which relates to street lighting. This follows ongoing analysis of bills from the Council's new energy contracts since April, and in particular bills from the early winter period. The new contracts includes a flexible buying strategy to take advantage of favourable market fluctuations across the year. There are also the effects of energy saving measures to reduce consumption.</li> <li>• There are increased property running costs of £51k (reduced by £29k) including Sale Waterside PFI and Trafford Town Hall security. All other running costs are £39k above budget (favourable movement of £29k).</li> <li>• There are projected shortfalls in income of £325k in Parking Services due to the delayed opening of Regent Road car park (increased by £96k), £181k Building Control (increased by £23k) and £63k from rental income at Altrincham Market and operational buildings (reduced by £17k).</li> <li>• Estates savings have now exceeded expectations by £149k due to a number of successful business rate appeals and backdated (improved by £194k). There is a £60k saving shortfall from the installation of EV points which has now been rephased to 2024/25.</li> <li>• Additional projected income above budget includes Altair £120k, Manchester Airport £51k and other let estate £19k (all unchanged), and outdoor media advertising £22k (increased by £22k)</li> <li>• Staff vacancies for the year are currently estimated at £429k (excluding the ringfenced Planning account) (increased by £89k), which is approximately 5.0% of the staffing budget. This is offset by a Directorate-wide efficiency saving of £346k.</li> <li>• The Planning service is a ringfenced account and has a shortfall in income of £608k, which is offset by an underspend of £128k in staffing, running costs and reserve contributions. This is a forecast net overspend of £480k for the year (reduced by £30k).</li> </ul> <p><b>Strategic Investment Programme £148k adverse, adverse movement of £360k;</b></p> <p>The forecast net outturn forecast is £5.94m, which is a shortfall of £148k against the net budget of £6.09m. This is an adverse change</p>
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		from the previous period of £360k which is mainly attributable to a slower than anticipated usage of agreed debt facilities in 2023/24, with income hence being rephased into 2024/25.
Strategy & Resources	(271)	<p><b>Total forecast outturn variance £(271)k favourable, a favourable movement of £(55)k.</b></p> <ul style="list-style-type: none"> <li>• Staff costs are estimated to be £588k less than budget across the Directorate based on actual and forecast vacancies across the whole year, which is 5.8% of the total staffing budget. This is £15k higher than last reported.</li> <li>• Running costs are forecast to be £22k underspent, which is a favourable movement of £60k.</li> <li>• Income is projected to be £75k above budget and has reduced by £20k. The overall projection includes £58k additional income from Bereavement Services (increased by £1k), £15k from Flixton House (reduced by £2k) and £108k from the Music Service trading account (increased by £38k). These are offset by shortfalls of £55k in Catering and Cleaning trading services (increased by £30k) and £24k Waterside Arts Centre (increased by £5k). Other income is £27k below budget (increase by £22k).</li> </ul> <p>These are offset by the budgeted Directorate-wide efficiency saving target of £414k.</p>
Finance & Systems	149	<p><b>Total forecast outturn variance £149k adverse, a favourable movement of £(47)k.</b></p> <ul style="list-style-type: none"> <li>• Staff costs are estimated to be £257k less than budget across the Directorate based on actual and forecast vacancies for the whole year, which is 2.6% of the total staffing budget. This is a favourable movement of £50k.</li> <li>• Running costs are forecast to be overspent by £236k across all services (increased by £2k). The overspend includes £200k relating to Trafford Assist, as reported previously, which is due to continuing additional uptake in demand. Other running cost increases include for ICT system contract extensions.</li> <li>• Income is projected to be £79k above budget (reduced by £1k). The additional income includes £100k confirmed from CCG for ICT services which had been expected to reduce in the budget.</li> </ul> <p>These are offset by the budgeted Directorate-wide efficiency saving target of £249k.</p>

Legal and Governance	252	<p><b>Total forecast outturn variance £252k adverse, an adverse movement of £75k.</b></p> <ul style="list-style-type: none"> <li>• Staff costs are estimated to be £120k below budget (increased by £5k) and includes for agency costs covering vacancies and service demand.</li> <li>• Running costs are projected to be overspent by £345k and has increased by £100k which includes for additional court costs and legal fees based on updated forecasts of demand, particularly in social care. The overall overspend includes local election costs being £95k higher than expected associated with additional workload demand from the “all out” election in May.</li> <li>• There is a projected shortfall in income of £27k compared to budget. This has reduced by £20k, mainly due to additional land charges new burdens income. The overall shortfall includes £63k in land charges and £20k in capital fee income which is related to staff vacancies. This is offset by SLA and other income of £44k above budget assumptions and £12k from Registration Services.</li> </ul>
Council-wide	(3,434)	<p><b>Projected Outturn variance, £3.434m favourable, an adverse movement of £203k since period 6.</b></p> <p><b>Pay Award</b></p> <p>The 2023/24 Local Government pay award has been agreed. As previously reported this has resulted in an additional pressure of £0.7m which will be neutralised by a draw down from the Inflation Risk Reserve.</p> <p><b>Treasury Management</b></p> <p>Due to the continuing high interest environment, the Council has managed its cash balances to limit costly borrowing while investing any surplus cash to generate investment income to support the revenue budget. This careful cash management has allowed a saving of £3.076m in financing costs in 2023/24, a £394k adverse variance from period 6. This movement from the previous period is due to new borrowing now forecast in 2023/24 in order to provide financing for capital spending in year and reduce the Council’s under-borrowed position, which was £93.9m at the 31 March 2023.</p> <p><b>Housing Benefit</b></p> <p>The Housing Benefit budget has a projected Outturn overspend (payments made, less subsidy and overpayment recovery) of £490k, a favourable movement of £34k since period 6.</p> <p>Work is now complete on the 2022/23 Subsidy claim where ‘Technical errors’ had been misclassified as ‘LA Errors’ and this has generated a small increase in Subsidy.</p>

		<p>However, the current Housing Benefit Subsidy budget pressures being felt across all local authorities is having a significant impact within Trafford. As the percentage of emergency/temporary accommodation cases increase, and in particular within the Private Rented Sector, rents are significantly higher than the Governments Local Housing Allowance rate. This can lead to significant losses as these rents attract less subsidy.</p> <p>In recognition of this national issue, an additional £400k was transferred to the Housing Benefit Overpayments Reserve at the end of 2022/23 to cover this, giving a total reserve of £900k to cover any pressure in the 2023/24 budget. Therefore, no impact on the Council-wide projected outturn figure above.</p> <p>The on-going impact on future budgets will be included in the Medium-Term Financial Plan 2024/25.</p> <p><b>Audit Fees £140k</b></p> <p>Additional ‘fee variations’ above budget have already been incurred by the Council following a number of recent ‘extended’ audits, in particular the 2021/22 Statutory Statement of Accounts and the Housing Benefit Subsidy claims relating to 2019/20, 2020/21 and 2021/22.</p> <p>Due to the delay in the completion of these audits it has also been necessary to estimate the likely ‘fee variations’ on subsequent audits up to and including 2023/24.</p> <p>The impact on the 2023/24 budget is therefore a total worst case scenario estimated at £140k.</p> <p>The on-going impact on future budgets will be included in the Medium-Term Financial Plan 2024/25.</p> <p><b>Coroner’s Budget</b></p> <p>The projected costs of Trafford’s share of the South Manchester Coroners’ service is currently expected to be £41k higher than budget, no change since period 6.</p> <p><b>Contingencies</b></p> <p>The Council-wide budget currently includes a general contingency of £1.9m. There are currently a number of commitments totalling £1.2m, leaving an uncommitted balance of £0.7m, a decrease of £0.1m since period 6. It is therefore considered prudent at this stage in the financial year to release a proportion of this contingency to the value of £0.35m.</p> <p><b>Enhanced Pension payments</b></p> <p>Recurrent savings relating to enhanced pension costs were previously highlighted in the 2022/23 Outturn report. And these savings have been included in our budget plans for 2024/25.</p>
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		<p>Estimated savings for 2023/24 of £150k are included in the Council-wide figures above, no change since period 6.</p> <p><b>Government Grants</b></p> <p>The final announcement for the 2023/24 Services Grant was received in June 2023 at £1,472,905, which is £58k above budget, no change since period 6.</p> <p><b>Savings</b></p> <p>The Council-wide budget includes a saving of £200k for Digital Strategy, which includes £100k not achieved in 2022/23. Timescales for the Council's Digital Strategy programme have been delayed pending further development of the platform. Mitigating savings have been identified within the CRM licenses budget and will be used to offset the savings shortfall in the current year.</p> <p>Other minor adverse variations of £19k.</p>
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Dedicated Schools Budget	7,146	<b>Projected Outturn variance, £7.146m adverse, an adverse movement of £679k since period 6.</b>			
		<b>P8 monitoring</b>	<b>Grant £000</b>	<b>Forecast outturn £000</b>	<b>P8 Variance £000</b>
		Schools Block	109,149	109,149	0
		Central Schools Services Block	1,495	1,430	(65)
		High Needs Block	34,428	41,639	7,211
		Early Years Block	17,848	17,848	0
		<b>TOTAL DSG</b>	<b>162,920</b>	<b>170,066</b>	<b>7,146</b>
<b>The DSG allocation has been reduced by £17k. This is due to an adjustment to the CSSB due to an academy conversion and the HNB due to an import/export adjustment.</b>					
The High Needs Block (HNB) is expected to over spend by £7.211m, an adverse variance of £699k from P6.					
This is analysed in more detail below :					
<ul style="list-style-type: none"> <li>• Special Schools £391k adverse, an adverse movement of £63k due to the average cost of top up bandings for new places at The Orchards, Brentwood &amp; Egerton being higher than anticipated due to having to fund outreach provision.</li> <li>• Education Health Care Plans (EHCPs) £1.538m adverse – this is an adverse movement from P6 of £213k due to higher than anticipated EHCP numbers in the Autumn term.</li> <li>• Out of Borough Placements £2.736m adverse – this is an adverse movement of £431k since P6. We have seen 16 children move into non maintained independent special schools, 14 of which have Social, Emotional and Mental Health (SEMH) needs, and 2 placements each with a cost of over £100k where local provision could no longer meet need. Work is continuing to be developed on strengthening the gatekeeping and scrutiny of all external placements; formalising the post 16 panel; and liaising with another North West local authority to share best practice.</li> <li>• £239k further education placements – no movement - funding an additional 40 placements at £6k each with no additional grant. Additional funding in the current formula is not provided by central government for any increases in 19-25 year olds.</li> </ul>					

- This is offset by a favourable variance of £99k on Behaviour & Attendance, SEN Central Team and Sensory Impairment, a favourable movement of £8k.

There was a negative HNB reserve b/fwd of £4.138m, leaving an overall deficit of £11.349m at year end.

<b>DSG Reserve</b>	<b>1 April 2023 £000's</b>	<b>(Cont. to) / Draw down £000's</b>	<b>31 March 2024 Projection £000's</b>
<b>Schools Block (SB)*</b>	(2,329)	1,356	(973)
<b>Central Schools Services Block (CSSB)</b>	(335)	(65)	(400)
<b>High Needs Block (HNB)**</b>	4,138	7,211	11,349
<b>Early Years Block (EYB)</b>	1	0	1
<b>TOTAL DSG Reserve (surplus)/deficit</b>	<b>1,475</b>	<b>8,502</b>	<b>9,977</b>

\* £772k is being utilised from the Growth Fund reserve as agreed by Schools Funding Forum to fund 23/24 school budgets, a further £397k from the Growth Fund reserve is being used for Growth in 23/24, £174k has been drawn down for Trafford Alternative Education Provision (TAEP) and £13k is required from the Redundancy reserve.

\*\* £7.21m contribution to deficit reserve.

The annual cost to the Council of servicing the accumulated deficit is approximately £0.5m per annum.

There is the risk that the number of EHCPs will continue to grow and dependence on costly out of borough places will increase as capacity in borough is not sufficient, which will impact on our ability to reduce the deficit.

Work continues to take place on the DSG deficit management plan with proposals and options being discussed with the DfE. The plan has been scrutinised by the SEND Board and has been presented to Funding Forum.

The statutory override for the DSG ends in 2025/26 which means that if this is not extended, the deficit will transfer back to the Council's total Earmarked Reserves, which has serious financial implications for the authority.



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Savings Programme

ANNEX 2

Theme/Title	Service Area	Budget 2023/24 £000's	Outturn Projection 2023/24 £000's	Gross Variance 2023/24 P6 £000's	Mitigating action undertaken in year £000's	Overall net variance in year after mitigating action £000's	Description of Saving	Financial RAG 23/24	Financial RAG 24/25	Financial RAG comments
Children Placements	Children's	(1,000)	(1,000)	0	0	0	A review of demand and placements for looked after children	GREEN	RED	The 2023/24 savings should be achieved as 26 young people have been identified to step down. However to note there is a pressure for new placements.
Staffing Efficiencies Children's Services	Children's	(45)	(45)	0	0	0	Review of staffing establishment outside of the main redesign programme	GREEN	GREEN	The saving has been identified.
Troubled Families Funding/Strengthening Families	Children's	(275)	(275)	0	0	0	Continuation of the service redesign	AMBER	AMBER	At present, there is a grant for Supporting Families (SF) of £811k within the Children's Services budget of which £766k has been allocated. The payment of this grant depends on meeting clear performance measures against 10 outcomes and 34 criteria being implemented alongside regression checks. Grant funding for future years is reliant on the achievement of outcomes and is therefore not guaranteed. Rigorous

											monitoring against the measures is in place.
VCSFE service/children's commissioning	Children's	(63)	(63)	0	0	0	Undertake strategic needs assessment of commissioned services and offer	GREEN	GREEN		The saving will be achieved.
Increase Vacancy Factor/Budget utilisation	Children's	(134)	(134)	0	0	0	Increase vacancy management period across all services	GREEN	RED		Although there are currently vacancies across the service, the next stage of the restructure will be completed this year so will make future savings unlikely.
Weight Management	Adults	(31)	(31)	0	0	0	Reduce the prevalence of community obesity and thereby reduce long-term health conditions that result and the support required.	GREEN	GREEN		Savings continue to be achieved.
Bad debt provision - Adults Social Care	Adults	(50)	(50)	0	0	0	Review level of contribution to bad debt provision	AMBER	AMBER		The ASC bad debt position is monitored on an ongoing basis and is subject to fluctuation. It will not be known until year end reviews whether the target is achievable.
Homecare	Adults	(1,000)	(1,000)	0	0	0	Rephase Council contribution once Transformation Funding ceases	GREEN	GREEN		Saving met
Demographic Growth Control	Adults	(100)	(100)	0	0	0	Demographic Growth Control	GREEN	GREEN		Saving currently met within the 2023/24 budget allocation.

Electric vehicle (EV) charging points	Place	(10)	0	10	0	10	Expand number of EV charging points on a revenue share model	RED	AMBER	Installation progressing well. Profit share model re-phased to 24/25
Strategic Investment Income	Place	(1,800)	(1,800)	0	0	0	Investment Programme - Recycling of receipts to maintain net income at achievable levels	GREEN	AMBER	Savings delivered in 2023/24. Programme remains a risk in 24/25 given the wider economic uncertainty.
Review of operational and strategic estates	Place	(80)	(80)	0	0	0	Efficiency review of operational estate and lease/rent reviews to ensure full cost recovery across the Council's estate	RED	AMBER	Savings programme of works taking longer than expected - saving re-phased to 24/25
Regulatory Services - cost recovery	Place	(25)	(25)	0	0	0	The cost of safety certificates / recover more from taxi tests to increase.	GREEN	GREEN	
Reduce Place Contingency	Place	(30)	(30)	0	0	0	Removal of a contingency budget from an earlier restructure	GREEN	GREEN	
Housing Service	Place	(50)	(50)	0	0	0	Removal of temporary posts/vacancies	GREEN	GREEN	
Housing Service	Place	(100)	(100)	0	0	0	Better cost recovery from support grant	GREEN	GREEN	
Street Lighting	Place	(100)	(100)	0	0	0	Review option in relation to Trimming, 1hr warm up, cool down at start and end of day	AMBER	AMBER	Need to review impact on bills during year.

Illuminated signs / bollards	Place	(40)	(40)	0	0	0	Invest to save to declutter and de-illumination to reduce energy cost impacts	AMBER	AMBER	Need to review impact on bills during year.
Street Lighting	Place	(200)	(200)	0	0	0	Look at further options to trim earlier / later and switch off street lighting in low risk areas	AMBER	AMBER	Need to review impact on bills during year.
Unadopted highways/access roads	Place	(50)	(50)	0	0	0	Reduce budget provision	GREEN	GREEN	
Increase Vacancy Factor/Budget utilisation	Place	(241)	(241)	0	0	0	Increase vacancy management period across all services	AMBER	AMBER	Review over the year
Traded Services	Finance & Systems	(56)	(56)	0	0	0	Traded Services income - increase in contributions to offset pay and cost inflation.	GREEN	GREEN	
Review of Subscriptions	Finance & Systems	(10)	(10)	0	0	0	A range of subscriptions for external services to be reviewed	GREEN	GREEN	
Increase Vacancy Factor/Budget utilisation	Finance & Systems	(98)	(98)	0	0	0	Increase vacancy management period across all services	AMBER	AMBER	Review over the year
Traded Services	Strategy & Resources	(390)	(390)	0	0	0	Review Traded Services income - increase in charges to offset pay and cost inflation.	AMBER	AMBER	Review over the year

Change Charging basis for Modernisation Team	Strategy & Resources	(850)	(850)	0	0	0	We already charge the majority of the team to the capital programme. The flexible use of capital receipts will be used to cover all team members to continue to support efficiency and change programmes across the council for a further two years.	GREEN	GREEN	
Review of Sale Waterside Arts Centre	Strategy & Resources	(25)	(25)	0	0	0	A review of the operational effectiveness of asset.	AMBER	AMBER	Review over the year
Review Music Service	Strategy & Resources	(30)	(30)	0	0	0	Continue to remove the remaining Corporate overhead subsidy and continue with expansion of offer with a view to broadening reach	GREEN	GREEN	
Increase Vacancy Factor/Budget utilisation	Strategy & Resources	(93)	(93)	0	0	0	Increase vacancy management period across all services	AMBER	AMBER	Review over the year
Treasury Management Budget	Councilwide	(4,682)	(4,682)	0	0	0	Realignment of the Treasury Management Budget to support the latest forecast position and activity relating to borrowing and Investments	GREEN	GREEN	Saving achieved

Review of Subscriptions	Councilwide	(2)	(2)	0	0	0	A range of subscriptions for external services to be reviewed	GREEN	GREEN	Budget saving achieved
Digital Strategy	Councilwide	(100)	0	100	(100)	0	Increased use of digital technology to deliver better and more efficient services.	AMBER	AMBER	Programme delayed pending individual business cases. Mitigating action to achieve saving in 23/24 through reduction in CRM licence costs.
<b>TOTAL SAVINGS AND INCOME PROPOSALS</b>		<b>(11,760)</b>	<b>(11,650)</b>	<b>110</b>	<b>(100)</b>	<b>10</b>				

**Approved Budget**

- The overall value of the indicative capital programme for 2023/24 to 2025/26 is £212.95m, which is a reduction from P6 of £1.36m. Which is mainly as a result of:
  - A new grant of £0.56m from DfE for Childcare Expansion Capital works.
  - The removal of the scheme at £1.95m for the installation of two resomation cremators at the crematorium.
- The P6 budget for 2023/24 was £87.73m, a minor change during the current reporting period has resulted in this budget increasing by £0.03m to £87.76m.

<b>2023/24 Capital Programme</b>	
	<b>£m</b>
<b>General Programme:</b>	
Budget at Period 6	87.73
<b>Current programme (Period 8)</b>	<b>87.76</b>
Variance from Previous Period	0.03

- The increase of £0.03m for 2023/24 in the General Programme is due to the award of a new grant, details of which are included in paragraph 4. The following table details the movement in the current year budget (2023/24).

<b>General Capital Programme 2023/24</b>	<b>P6 Revised Approved Programme £m</b>	<b>Current Revised Programme £m</b>	<b>Period Movement</b>	
			<b>Change in Funding £m</b>	<b>Re- Profiling to Future Years £m</b>
<b>Service Analysis:</b>				
- Schools	18.33	18.33	-	-
- Children Social Care	0.35	0.35	-	-
<b>Children's Services</b>	<b>18.68</b>	<b>18.68</b>		
<b>Adult Social Care</b>	<b>3.24</b>	<b>3.24</b>		
- Regeneration	15.82	15.82	-	-
- Corporate Landlord	1.25	1.25	-	-
- Leisure & Sports	18.85	18.85	-	-
- Highways	22.41	22.44	0.03	
- Environment & Green Space	0.88	0.88	-	-
- Housing Services	3.56	3.56	-	-
- Other	1.02	1.02	-	-
<b>Place</b>	<b>63.79</b>	<b>63.82</b>	<b>0.03</b>	
<b>Finance &amp; Systems</b>	<b>2.02</b>	<b>2.02</b>	-	-
<b>General Programme Total</b>	<b>87.73</b>	<b>87.76</b>	<b>0.03</b>	-



4. The change in programme funding of £0.03m relates to;
- Trafford Red Routes (CRSTS) - £0.03m. Development of a Red Routes scheme on the A56 (between the Trafford/Manchester CC boundary and the M60 junction 7) and on the A5081 (from M60 Junction 9 to and including White City Circle).

### **2023/24 Programme Funding**

5. The general capital programme is resourced by a combination of both internal and external funding and is detailed in the table below. This shows a deficit in year of £3.39m, should actual expenditure breach the budget. In the event it does, this will need to be funded by short-term borrowing which will need to be repaid by a surplus in receipts in future years. The cost of any short term borrowing will need to be contained within the Treasury Management budget. This level of overprogramming is within the level agreed by Council in February 2023 of £3.52m:

<b>Capital Programme Resources</b>	<b>Budget 2023/24 £m</b>
<b>General Programme Investment</b>	<b>87.76</b>
Grants	56.99
External Contributions	4.92
Revenue and reserves	1.30
Prudential Borrowing	19.49
Forecast Capital Receipts	1.67
<b>Total Funding</b>	<b>84.37</b>
<b>Surplus / (Deficit)</b>	<b>(3.39)</b>

## Asset Investment Fund

6. Asset Investment Fund currently stands at a maximum approved limit of £500m, supported by prudential borrowing, to support the Council's Investment Strategy. The transactions that have been agreed by the Investment Management Board (IMB) to date have a total current committed cost of £354.6m, of which £291.1m has currently been expended. The balance of the approved £500m which is available for further investment is £145.4m.

Asset Investment Fund	Prior Years Spend £m	Repayments £m	Actual Spend 2023/24 £m	Future Years Commitment £m	Total £m
Property Purchase	79.9	0.0	0.0	0.0	79.9
Property Development	19.7	(6.1)	0.8	1.5	15.9
Equity	41.0	0.0	3.8	9.0	53.8
Development Debt	167.3	(56.1)	28.8	53.0	193
Total Capital Investment	307.9	(62.2)	33.4	63.5	342.6
Treasury Investments	17.6	(5.6)	0.0	-	12.0
<b>Total Investment</b>	<b>325.5</b>	<b>(67.8)</b>	<b>33.4</b>	<b>63.5</b>	<b>354.6</b>

7. The forecast net budget is £5.94m, which is a shortfall of £148k against the targeted net budget of £6.09m. This is an adverse change from the previous period of £360k. This movement is mainly attributable to a slower than anticipated usage of agreed debt facilities in 2023/24, with income being rephased into 2024/25.
8. The Risk Reserve is forecast to be £3.60m at the end of this financial year. Opportunities will be considered to increase this over the coming year given current economic uncertainty.

<b>Risk Reserve B/F</b>	<b>£5.00m</b>
Town centre assets borrowing costs	(£0.84m)
Former GMP Site set up costs	(£0.64m)
Contribution to reserve	£0.08m
<b>Risk Reserve C/F</b>	<b>£3.60m</b>

## Issues / Risks

9. A key risk is the ability to deliver the revised capital programme in 2023/24, and this will continue to be closely monitored and reported throughout the year and as any significant issues may arise.

10. 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.

## **Prudential Indicators – 2023/24**

## **Annex 3 (C)**

The Prudential Code for Capital Finance in Local Authority was reviewed and updated following a consultation with Local Authorities in November 2021. The Code requires that the Council report and monitor Prudential Indicators on at least a quarterly basis during the financial year. The objectives of the Prudential Code and indicators are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and to support and record local decision making in manner that is publicly accountable.

The prudential indicators cover the three areas in which the Council is required to report and monitor; Capital Expenditure, External Debt, and Affordability. The indicators are approved and set by the Council in February each year as part of the wider budget setting process. These indicators are then reviewed and restated during the year as part of the periodical budget monitoring.

### **Summary as at Period 8**

#### **Capital Expenditure Indicators**

Since February, the updated indicators for Capital Expenditure show a decrease of £46.28m in capital spend in 2023/24. This is in-line with the reprofiling of spend within the programme, as detailed within this report, as certain schemes will now incur costs in later years. The expenditure for the Investment Strategy shows a similar movement as investments have been reprofiled to match the cashflows of ongoing property developments which the Strategy is funding, in addition to the new investments, approved by IMB, having the majority of their expenditure in the later years of the programme.

#### **External debt indicators**

The External Debt indicators for Period 8 are confirmations that the Council is operating within the agreed boundaries for Treasury Management activity as set by Council in February 2023. The forecast debt levels have increased since previous reporting due to the anticipation that the Council will borrow funds before the end of the financial year to address the level of internal borrowing, as reported in the Mid-Year Treasury Update, and to also support any new borrowing requirements required for 2023/24.

#### **Affordability indicators**

The 'Finance Costs to Net Revenue Stream' forecast for 2023/24 is a negative 1.0% due to the inflow of interest payments to the Council, i.e., investment income, being higher the outflow of interest payments, i.e., the cost of external borrowing. This is likely to change in future years as the Council's ability to utilise surplus cash balances to avoid additional borrowing will be reduced as the Capital Programme and Asset Investment Strategy commitments increase.

Capital expenditure indicators:

- **Estimates of capital expenditure;** Actual total capital expenditure for previous financial year and estimates of spend for the following three years. Variances found here from the approved indicator level to the current forecast level are due to revisions to the programme, reported through the regular Capital Budget Monitoring and approved by the Executive.
- **Estimates of capital financing requirement;** this reflects the estimated need to borrow for capital investment (i.e., the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts).

Prudential Indicators – Capital Expenditure	2023/24			2024/25	2025/26
	Original Forecast	Current Forecast	Variance	Forecast	Forecast
	£m	£m	£m	£m	£m
<b>Capital Expenditure</b>					
Capital expenditure - General Programme	91.49	87.76	(3.73)	78.36	48.22
Capital expenditure - Investment Strategy	109.09	66.54	(42.55)	47.32	34.04
<b>Capital expenditure - Total</b>	<b>200.58</b>	<b>154.30</b>	<b>(46.28)</b>	<b>125.04</b>	<b>81.51</b>
<b>Capital Financing Requirement (CFR)</b>	<b>579.09</b>	<b>479.13</b>	<b>(99.96)</b>	<b>465.18</b>	<b>492.55</b>

External debt indicators

- **Authorised limit for external debt;** This is a key prudential indicator and represents a control on the maximum level of external debt that the Council will require for all known potential requirements. It includes headroom to cover the risk of short-term cash flow variations that could lead to temporary borrowing and any potential effects arising from bringing “off balance sheet” leased assets onto the balance sheet in compliance with IFRS 16.
- **Operational boundary for external debt;** calculated on a similar basis as the authorised limit but represents the likely level of external debt that may be reached during the course of the year and is not a limit.
- **Gross debt and the capital financing requirement;** The Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and

the following two financial years. This allows some flexibility for limited early borrowing for future years **but ensures that borrowing is not undertaken for revenue or speculative purposes.**

Prudential Indicators -  Period 8 2023/24	2023/24			2024/25	2025/26
	Approved Limit	Current Forecast	Variance to Limit	Approved Limit	Approved Limit
	£m	£m	£m	£m	£m
<b>External Debt</b>					
Authorised limit for external debt - Capital Programme	240.00	179.20	60.80	250	260
Authorised limit for external debt - Investment Strategy	375.00	193.90	181.10	450	475
Authorised limit for external debt - Other long-term liabilities	3.40	3.38	0.02	3.0	2.6
<b>Authorised limit for external debt - Total</b>	<b>618.40</b>	<b>376.48</b>	<b>241.92</b>	<b>703.0</b>	<b>737.6</b>
Operational boundary for external debt - Capital Programme	220.00	179.20	40.80	230	240
Operational boundary for external debt - Investment Strategy	375.00	193.90	181.10	450	475
Operational boundary for external debt - Other long-term liabilities	3.40	3.38	0.02	3.0	2.6
<b>Operational boundary for external debt - Total</b>	<b>598.40</b>	<b>376.48</b>	<b>221.92</b>	<b>683.0</b>	<b>717.6</b>
Forecast capital financing requirement (CFR)		<b>479.13</b>			
Actual external debt (£m): at 30/11/23		<b>306.48</b>			
Over-borrowed/(Under-borrowed)		<b>(172.65)</b>			
Forecast Over-borrowed/(Under-borrowed)		<b>(102.65)</b>			
<b>Is Actual Debt below the CFR?</b>		<b>YES</b>			

Affordability indicators

- **Estimates of financing costs to net revenue stream;** This indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the Council’s net revenue stream. This demonstrates the affordability and proportionality of that borrowing by comparing it to the Council’s net revenue stream as a whole.
- **Estimates of net income from commercial and service investments to net revenue stream;** This indicator compares income from commercial investments to the Council’s net revenue stream. As before, this comparison allows for consideration for the Council reliance on that income and its proportionality.

Prudential Indicators - Period 8 2023/24	2023/24			2024/25	2025/26
	Forecast	P8 Forecast	Variance	Forecast	Forecast
	%	%	%	%	%
<b>Affordability</b>					
Financing Costs to net revenue stream - Recalculation*	0.6%	-1.0%	-1.6%	1.3%	2.1%
Net Income for commercial and service investments to net revenue stream	8.5%	7.9%	-0.6%	7.1%	6.8%

\*The ‘Finance Costs to Net Revenue Stream’ PI has been reassessed and calculated on a different basis than the figures presented in the February Budget Report. This recalculation has been done to bring the indicator in-line more accurately with the intention of the Prudential Code.

<b>Affordability - Financing Costs to Net Revenue Stream (Detailed Table)</b>	<b>2023/24 P8 Forecast</b>
Net Revenue Stream (£k)	201,972
Net Financing Costs * (£k)	(1,994)
<b>Net Financing Costs to NRS (correct Prudential Indicator)</b>	<b>(1.00)%</b>
Gross Financing Costs (£k)	13,609
Gross Investment Interest Income (£k)	(15,603)
<b>Net Financing Costs (£k)</b>	<b>(1,994)</b>
Using <b>Gross</b> Financing Costs to NRS	6.74%

The forecast for 2023/24 is negative due to the inflow of interest payments to the Council, i.e., investment income, being higher the Gross Financing Costs (interest payments and MRP), i.e. cost of external borrowing. This is likely to change in future years as the Council's ability to utilise surplus cash balances to avoid additional borrowing will be reduced as the Capital Programme and Asset Investment Strategy commitments increase.

The prudential indicator requires a comparison between Net Financing Costs and the Net Revenue Budget, however this does not demonstrate fully the risk due to the high levels of investment income that the Council generates. The Gross Investment Interest Income and Gross Financing Costs are more appropriate measure of risk as this is the amount of exposure the council needs to meet.



## Local indicators

Local Indicators are indicators that are not statutorily required but are included in the Council's suite of capital indicators to provide additional transparency and reporting information. The indicators below relate to forecast activity and performance in the Council's Asset Investment Strategy (AIS). The rolling investment nature of the AIS means that income is forecast to decrease in later years as investments mature, to be replaced by new investments within the pipeline yet to be agreed.

The Council has previously used income from its investments to contribute to a Risk Reserve, which had a balance of £5.0m at the end of 2022/23. Over the next three years, this reserve will be used to mitigate against income shortfalls from the Stretford Mall and Stamford Quarter LLPs as trading is impacted by the ongoing regeneration works. Once work is complete, income is forecast to recover, and surpluses can be used to replenish the fund.

Local Indicators 2023 to 2026	2023/24	2024/25	2025/26
	£m	£m	£m
<b>Asset investment Strategy</b>			
Gross Income	14.4	11.8	11.3
Financing Costs	8.6	8.3	7.6
<b>Risk Reserve</b>			
Net contributions to/(from) Risk Reserve	(1.4)	(0.7)	(0.2)
Forecast Risk reserve balance at year end	3.6	2.9	2.7

## COUNCIL TAX

In year Council Tax movements	Council Tax Collection Fund P6 (£000's)	Council Tax Collection Fund P8 (£000's)	Trafford's Share P8 (£000's)	Movement in Trafford's share since P6 (£000's)
Shortfall in Tax Base	949	881	716	55
Local Council Tax Support Scheme	(836)	(739)	(601)	(79)
Release from bad debt provision following a review of historic debt	(1,200)	(1,200)	(975)	0
Other Movements (Backdated discounts etc.)	200	104	85	78
Discretionary awards under Council Tax Support Scheme*	347	347	277	0
Contribution from Support Fund Grant	(347)	(347)	(277)	0
<b>Total In Year Position (Surplus)/Deficit</b>	<b>(887)</b>	<b>(954)</b>	<b>(775)</b>	<b>54</b>

(\*) Cost of discretionary awards under the Council Tax Support Scheme are offset by a contribution from Support Fund Grant.