

## TRAFFORD COUNCIL

**Report to:** Executive

**Date:** 25 July 2016

**Report for:** Discussion

**Report of:** The Executive Member for Finance and the Chief Finance Officer

### **Report Title:**

Budget Monitoring 2016/17 – Period 2 (April to May 2016).

### **Summary:**

The purpose of this report is to inform Members of the current 2016/17 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:**

- a) the Executive note the report and the changes to the Capital Programme as detailed in Paragraph 15.

### **Contact person for access to background papers and further information:**

David Muggeridge, Finance Manager, Financial Accounting Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Revenue and Capital expenditure to be contained within available resources in 2016/17.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

**Other Options**

Not Applicable

**Consultation**

Not Applicable

**Reasons for Recommendation**

Not Applicable

**Finance Officer Clearance** ...NB.....

**Legal Officer Clearance** ...JLF.....

**CORPORATE DIRECTOR'S SIGNATURE** (electronic)...

.....



## REVENUE BUDGET

### Budget Monitoring - Financial Results

1. The approved budget agreed at the 17 February 2016 Council meeting is £147.32m. In determining the budget an overall gap of £22.64m was addressed by a combination of additional resources of £6.26m, including projected growth in business rates, council tax and use of general reserve and £16.38m of service savings and additional income.
2. Based on the budget monitoring for the first 2 months overall expenditure is broadly in line with budget apart from a small overspend of £3k.
3. The summary details of service variances against budget are shown in Table 1 and Table 2 below

<b>Table 1: Budget Monitoring results by Service</b>	<b>2016/17 Budget (£000's)</b>	<b>Forecast Outturn (£000's)</b>	<b>Forecast Variance (£000's)</b>	<b>Percentage</b>
Children's Services	29,915	31,184	1,269	4.2%
Adult Services	47,225	46,421	(804)	(1.7)%
Public Health	(573)	(366)	207	36.1%
Economic Growth, Environment & Infrastructure	32,250	32,116	(134)	(0.4)%
Transformation & Resources	16,846	16,311	(535)	(3.2)%
<b>Total Service</b>	<b>125,663</b>	<b>125,666</b>	<b>3</b>	<b>0.0%</b>
Council-wide budgets	21,656	21,656	0	0.0%
<b>Forecast outturn (period 2)</b>	<b>147,319</b>	<b>147,322</b>	<b>3</b>	<b>0.0%</b>
<b>Dedicated Schools Grant</b>	<b>120,667</b>	<b>121,120</b>	<b>453</b>	<b>0.4%</b>

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

4. The main variances contributing to the projected overspend of £3k, any changes to budget assumptions and associated key risks are highlighted below:

<b>Table 2: Main variances</b>	<b>Forecast Variance (£000's)</b>	<b>Explanation/Risks</b>
Children's Services	1,269	The number of children in care has risen beyond expectations and projections to the highest number ever (349 at the end of May 2016) with a resulting increase in the number of placements in external homes (4.31 whole time equivalents - WTE) and in agency foster care (3.93 WTE). This is projected to cost £1.01m in 2016/17.

		<p>A range of actions have been undertaken as follows:</p> <ul style="list-style-type: none"> <li>- A deep dive of the unit costs, movements in and out and placement duration, has been initiated to understand the precise nature of the budget pressure and possible areas for improvement.</li> <li>- Placements are now found and negotiated by a commissioning placements' team who will focus on maximising agreed price arrangements in place with Placements North West.</li> <li>- Management action may have to be taken to reduce the duration of placements through finding a better/suitable range of alternatives, or returning children home earlier than planned, both of which come with a degree of risk.</li> </ul> <p>Whilst all management action will be taken to address the forecast overspend, given the additional number of children in care already at month 2, it is extremely unlikely that the budget will be brought back to balance by year end.</p> <p>There is also a projected increase in costs of £210k associated with home to school transport as a result of an increase in the number of children and a higher volume of journeys.</p>
Adult Services / Public Health	(597)	<p>Mainly as a result of an overachievement of savings offset by an underlying increase in adult care costs.</p> <p>The original savings programme for CFW was developed with an overall target of £9.799m. Even at this relatively early stage of the year, it is clear that some projects cannot deliver against their original targets (social care transport and public health), but that the savings derived from the continuation of the Stabilise and Make Safe project will offset those shortfalls.</p> <p>In contrast there are indications that the levels of activity of new entrants to the Adult care system might be more than has been allowed for in the demographic funding that was allocated for 2016/17. The costs of new Adult entrants to the care system will be carefully monitored during the year.</p>
Economic Growth, Environment & Infrastructure	(134)	<p>Mainly relates to additional car parking income from Oakfield Road car park, which will remain open until September 2016, providing windfall car parking income of £114k.</p>

Transformation & Resources	(535)	The underspend reflects £283k from staff vacancies in the process of being filled, £60k from cost control of running expenses and £228k from higher levels of income, which includes government grant related budgets in Exchequer Services.
Council-wide budgets	0	Council-wide budgets include a number of central budgets such as levies, government grants, treasury management, housing benefits administration and business rates grants which can be volatile in nature. Therefore it is too early to project any variance on these budgets with any degree of certainty and the first projection will be given in the period 4 monitoring report.
Dedicated Schools Grant	453	This is mainly attributed to the increase in costs within the high needs block of the DSG. The demand for high cost special school places, both within the borough and out of borough, has exceeded the level of grant allocation in recent years and put pressure on the DSG reserve. The level of reserve carried forward from 2015/16 is £787k. Attempts to control costs have been made and will continue during 2016/17 such that a sustainable budget can be set in 2017/18.

### MTFP Savings and increased income

- The 2016/17 budget is based on the achievement of permanent base budget savings and increased income of £16.38m and full details are included in the latest Transformation Programme Board Report dated 14 June 2016.
- The latest forecast indicates that total savings of £16.53m have been or are projected to be delivered by 31 March 2017. This represents an overachievement against target of £152k. The current risk rating of the overall programme is summarised as follows:

<b>Table 3: Savings Programme Risk Rating</b>	<b>(£000's)</b>
Low risk – achieved or low likelihood of not achieving	12,225
Medium risk – projected to be achieved by the end of the year	3,266
High risk – remedial action to be taken to achieve required level of savings	885
<b>Total</b>	<b>16,376</b>

- In addition further savings will be realised in the year following the introduction of a voluntary additional leave scheme estimated to save approximately £60k and these are included in the forecast outturn position above.

### RESERVES

- The pre-audited General Reserve balance brought forward is £7.89m, against which there are planned commitments up to the end of 2016/17 of £1.89m leaving the balance at £6m which is the approved minimum level.

<b>Table 4 : General Reserve Movements</b>	<b>(£000's)</b>
<b>Balance 31 March 2016 (subject to audit confirmation)</b>	<b>(7,894)</b>
<b>Commitments in 2016/17:</b>	
- Planned use for 2016/17 Budget	1,850
- Planned use for one-off projects 2016/17	44
- Council-wide budgets variation	0
<b>Balance 31 March 2017</b>	<b>(6,000)</b>

9. Service balances brought forward from 2015/16 were a net £5.95m and are largely allocated to support transformation projects in 2016/17 and later years, however before making firm commitments to utilise these resources consideration will be given to the overall projected outturn position in each directorate.

	<b>b/f April 2016 (£000's)</b>
<b>Table 5: Service balances</b>	
Communities, Families & Wellbeing	(1,837)
Economic Growth, Environment & Infrastructure	(1,740)
Transformation & Resources	(2,372)
<b>Total (Surplus)/Deficit</b>	<b>(5,949)</b>

## **COLLECTION FUND**

### **Council Tax**

10. The 2016/17 surplus on the Council Tax element of the Collection Fund is shared between the Council (84%), the Police & Crime Commissioner for GM (12%) and GM Fire & Rescue Authority (4%). The 2016/17 total surplus brought forward was £1.84m.
11. Council Tax collection rate as at 31 May 2016 was 21.1%, the same as the targeted collection rate.

### **Business Rates**

12. The 2016/17 budget included anticipated growth in retained business rates and related S31 grants of £4.51m.
13. Business Rates collection rate as at 31 May 2016 was 19.4% compared to a targeted collection rate of 19.5%.

14. It should be noted that the council has received a large number of valuation appeals in the last few months which could impact on the year end outcome for business rates income.

## CAPITAL PROGRAMME

15. The value of the indicative 2016/17 Capital Programme set in February 2016 was £43.70m. Taking into account re-phasing from 2015/16, changes to government grant allocations and new external contributions the budget is currently estimated at £47.40m. The changes to the budget are detailed below and are summarised as follows :

<b>Table 6 - Capital Investment Programme 2016/17</b>	<b>Approved Programme £m</b>	<b>Changes £m</b>	<b>Current Programme £m</b>
<b>Service Analysis:</b>			
Children, Families & Wellbeing	14.1	1.1	15.2
Economic Growth, Environment & Infrastructure	27.1	1.8	28.9
Transformation & Resources	2.5	0.8	3.3
<b>Total Programme</b>	<b>43.7</b>	<b>3.7</b>	<b>47.4</b>

➤ **Rephasing from 2015/16 - £1.5m**

As reported in the Capital Outturn Report a number of schemes did not complete in 2015/16 as expected and the budgets have been re-phased into 2016/17 and later years.

➤ **Changes to government grant allocations - £1.0m**

These include an increase in the Better Care Fund allocation for Disabled Facilities Grants £738k and new highways grants have been awarded from the Highways Incentive Fund of £130k and Pot Hole Grant of £137k.

➤ **New schemes and increases to existing budgets - £1.2m**

The IT works associated with the new HR Shared Service Centre with Greater Manchester Police are now underway. The budget has been increased by £711k to reflect the capital contribution GMP will be making towards the project.

The Council has committed to provide £350k to support alterations to the infants block at St.Vincent's Primary School which will create two additional fit for purpose classrooms as current spaces are significantly undersized. This was reported to the Executive on 20 June 2016 and will be financed from savings identified in 2015/16.

A contribution of £100k has been secured from TfGM to support a highway scheme at Woodlands Parkway in Timperley to address a casualty hotspot.

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

<b>Table 7 - Capital Investment Resources 2016/17</b>	<b>Approved Programme £m</b>	<b>Changes £m</b>	<b>Current Programme £m</b>
<b>External:</b>			
Grants	17.8	1.0	18.8
Contributions	5.2	2.6	7.8
<b>Sub-total</b>	<b>23.0</b>	<b>3.6</b>	<b>26.6</b>
<b>Internal:</b>			
Receipts	8.4	(0.7)	7.7
Borrowing	12.1	0.6	12.7
Reserves & revenue	0.2	0.2	0.4
<b>Sub-total</b>	<b>20.7</b>	<b>0.1</b>	<b>20.8</b>
<b>Total Resourcing</b>	<b>43.7</b>	<b>3.7</b>	<b>47.4</b>

#### **Status and progress of projects**

17. Since the budget was set in February 2016 reports detailing planned projects covering schools, highways and greenspace to be undertaken during the year have been agreed. The allocation of the approved corporate landlord budgets is the subject of a report to the Executive in July 2016.
18. As part of the monitoring process a record of the “milestones” reached by each project is kept to show the progress of the scheme from inclusion in the Programme through to completion. The table below shows the value of the programme across the milestone categories.

<b>Table 8 - Status on 2016/17 Projects</b>	<b>Current Budget £m</b>	<b>Percentage of Budget</b>
Already complete	3.5	7%
On site	20.5	43%
Programmed to start later in year	15.9	34%
Not yet programmed	7.5	16%
<b>Total</b>	<b>47.4</b>	<b>100%</b>

19. The first three categories give a good indication as to the level of confirmed expenditure to be incurred during the year. As can be seen £39.9m (84%) of the budget has now been committed or is programmed to start in the year. Schemes with a value of £7.5m are classed as “Not yet programmed” and relates to budgets where specific projects have not yet been agreed or budgets that have



yet to have a start date. Priority will be placed on progressing schemes as soon as possible. Included in this category are:

- Relocation of depot facilities - £5.7m. The business case is currently being worked on and the final level of capital investment needed will be determined by this. Any adjustments to the Capital Programme as a result of this will be reported in the future.
- Social Care Investment - £650k
- Agile Working Programme - £484k
- Assistive Technology : Care Support - £300k
- ICT projects - £286k

### **Issues / Risks**

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

### **Recommendations**

21. That the Executive note the report and the changes to the Capital Programme as detailed in Paragraph 15.