

TRAFFORD COUNCIL

Report to: Executive

Date: 15 November 2016

Report for: Discussion

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

Report Title:

Budget Monitoring 2016/17 – Period 6 (April to September 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 19.

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:



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 six months, the year end forecast is showing a small overspend figure of £214k, the Corporate Leadership Team will be working with operational areas over the next six months with the aim of delivering a balanced budget out-turn.
3. The summary details of service variances against budget are shown in Table 1 and Table 2 below.

Table 1: Budget Monitoring results by Service	2016/17 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	29,911	32,233	2,322	7.8%
Adult Services (Inc. Public Health)	46,652	46,910	258	0.6%
Economic Growth, Environment & Infrastructure	32,198	31,919	(279)	(0.9)%
Transformation & Resources	16,939	16,239	(700)	(4.1)%
Total Service Budgets	125,700	127,301	1,601	1.3%
Council-wide budgets	21,620	20,233	(1,387)	(6.4)%
Forecast outturn (period 6)	147,320	147,534	214	0.1%
Dedicated Schools Grant	119,428	120,595	1,167	1.0%
Public Health	13,334	13,414	80	0.6%

Main variances, changes to budget assumptions and key risks

4. Historically service variances at year end have been moved into service earmarked reserves and the current balances on those are detailed in Paragraph 12. A number of firm commitments already exist on those reserves largely to support transformational projects which limit the ability to absorb the full extent of the in-year pressures, particularly in CFW. It is proposed that where any in-year overspend cannot be funded from that particular service reserve then it will be met from the in-year underspend of the other directorates. If management actions are not able to reduce the current projected overspend of £214k, a balancing contribution will be required from the uncommitted CFW service earmarked reserve as detailed in paragraphs 12 & 13.
5. The significant demand led pressures being placed on the Children's Service placement budget are being addressed in the current year predominantly through the use of one off savings within Council Wide budgets and brought forward service earmarked reserves. However, the recurrent nature of the

pressures is likely to continue into 2017/18 and the implications of this are being considered as part of the budget process for 2017/18.

6. The main variances contributing to the projected overspend of £214k, any changes to budget assumptions and associated key risks are highlighted below:

Table 2: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	2,322	<p>The variance in the children in care placements budget in part relates to the following factors:</p> <ul style="list-style-type: none"> • The Placements Budget continues to be under pressure due to the continued incremental increase in the number of children in care which translates directly to an increase in demand for placements. In August 2015 there were 324 children in care, this figure has increased annually and incrementally, with 331 children at 31st March 2016 and 356 children in care at the end of September 2016. • The complexity of the presenting needs of children, who enter care, has translated into a demand for placements that require high levels of supervision and longer placement periods. In particular there are currently 3 children who are placed in high cost secure children's homes; the collective costs of these placements are £513k. <p>The above has resulted in an increase in the number of placements in external homes (6.05 whole time equivalents), agency foster care (7.02 whole time equivalents) and secure homes (0.73 whole time equivalents). This is expected to cost £1.82m.</p> <p>The Placement budget also accommodates the social care cost of placements made out of borough for CYP with an Education, Health and Care (EHC) plan. The number and cost of these placements has increased since the EHC reforms came in to place.</p> <p>Extension of leaving care duties and the introduction of Staying Put placements has also led to an increase in Placement costs.</p> <p>The authority has 3 Unaccompanied Asylum Seeking young people currently looked after, with limited additional funding, and a further 4 expected, at least, from Calais.</p> <p>Action has been taken to mitigate against the continued</p>

		<p>increase in the placement budget, including:</p> <ul style="list-style-type: none"> • A further foster care recruitment campaign, “You Can Foster” which will run for 6 months. Trafford has been a very successful recruiter of foster carers thus, despite the increase in the numbers of children in care, only 10% of all LAC have been placed with independent fostering agencies. It is predicted that this 6 months marketing campaign will increase internal fostering capacity by 5 to 8 foster carers for older children and children with complex needs. • Monthly monitoring meetings chaired by the Director of Safeguarding monitor every placement ensuring that predicted end dates are on target and considers options for cost reduction strategies for each placement. • The task of commissioning placements was transferred to the Commissioning Team and through improved commissioning practices they aim to reduce unit costs of placements and review high cost placements looking for alternative, cost effective placement solutions. • All in house placement resources continue to be used to full capacity and both of Trafford’s children’s homes are, in the main, at full occupancy level. <p>Whilst all management action will be taken to address the forecast overspend, given the additional number of children in care already at month 6, the budget is unlikely to be brought back to balance by year end.</p>
<p>Adult Services / Public Health</p>	<p>258</p>	<p>This forecast overspend is mainly as a result of a combination of higher levels of care being needed and the number of new entrants being higher than was anticipated for the year. This situation has been exacerbated by the Greater Manchester initiative which is currently underway to reduce the number of delayed discharges from hospital.</p> <p>The original savings programme for CFW was developed with an overall target of £9.799m. This was subsequently reduced by £280k reflecting a Member’s decision to amend the policy on social care transport. However the adverse impact of this change remained to be addressed within the overall CFW budget.</p> <p>It is now clear that some projects cannot deliver against their original targets e.g. social care transport and public health (*)), but that the savings derived from the continuation of the Stabilise and Make Safe project should offset those shortfalls.</p>

		(*) At the end of 2015/16 there was additional expenditure on public health of £153k. Due to the recovery of this in 2016/17 the in-year savings target of £800k has not been fully met with a current shortfall of £80k.
Economic Growth, Environment & Infrastructure	(279)	The projected underspend, which has increased by £130k since the last report, includes additional income from Oakfield Road car park remaining open for the early part of the financial year £171k; increased income from planning above expectations £145k; an underspend on staffing of £174k after taking account of agency costs (there are 16 vacancies in the Directorate in the process of being filled). These are offset by a shortfall in building control income £84k and other reductions in income and increased running costs of £127k.
Transformation & Resources	(700)	Includes £562k underspend from staff vacancies after taking account of agency costs, which is a £140k increase since P4. There are currently 40 vacancies in the Directorate in the process of being filled which equates to 2.8% of the total staffing budget (This is lower than the levels experienced in 2015/16, which were in excess of 6%, and reflects the ongoing efforts to fill outstanding vacant posts); £79k underspend from cost control of running expenses; £147k from higher levels of income, which includes government grant related budgets in Exchequer Services; other minor adverse variances £88k.
Council-wide budgets	(1,387)	<p>A positive movement of £300k over the previous period relating to the housing benefit budget, resulting in a year end projected outturn of £800k below budget. The projected variance relates to the continued success in the recovery of previous years' housing benefit overpayments, coupled together with a higher in-year percentage of subsidy being reclaimed from the Government. The latter, relates to a lower in-year overpayment error rate being identified. Previous years' overpayment recovery is one off in nature and should reduce as recovery tapers off.</p> <p>A further £49k under budget is estimated to be achieved, relating to overpayment recovery of previous year's Council Tax Benefit; this is a small improvement of £16k from Period 4.</p> <p>A projected saving of £499k in the levy payable on business rate growth which is forecast to be lower than anticipated due to unexpected business rate appeals (see paragraph 17);</p> <p>Additional costs on treasury management of £151k as a result of reduced interest rates following the announcement of the Monetary Policy Committee in August and delayed savings in respect of an up-front investment in the pension fund.</p>

		A review of our balance sheet, usually undertaken at year end, has been completed early and a one-off amount of £190k has been identified which can be released, relating to historic balances for goods received but not invoiced.
Dedicated Schools Grant	1,167	<p>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.</p> <p>Since period four, expenditure has been incurred on additional top-up payments for increasing numbers of statemented pupils at mainstream schools, additional out of borough placements and increased top-up payments at special schools. This projected overspend exceeds the level of available in the DSG reserve by £380k and whilst all attempts will be made to control expenditure for the remaining part of the year any deficit will need to be recovered from future years' DSG allocations which could impact on the level of school funding in 2017/18. (Note – the level of DSG allocation in year has been adjusted due to Partington PS converting to an academy in September).</p>

Progress against Locality Plan

7. A key element of the Health and Social Care devolution agenda is the submission of a Locality Plan setting out the Council and CCG vision for the greatest and fastest possible improvement in the health and wellbeing of our residents by 2020. This improvement will be achieved by supporting people to be more in control of their lives by having a health and social care system that is geared towards wellbeing and the prevention of ill health; access to health services at home and in the community; and social care that works with health and voluntary services to support people to look after themselves and each other.
8. Work is ongoing on the locality plan and it is anticipated that further work will be required in the coming months to understand how any budget gaps will be addressed. Financial performance against the locality plan is highlighted below (note budgeted figures are shown gross and inclusive of specific grants).

Table 3: Locality Plan Update	2016/17 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Public Health	13,334	13,414	80	0.6%
Adult Social Care	52,874	53,052	178	0.34%
Children and Families	29,911	32,233	2,322	7.8%
Total	96,119	98,699	2,580	2.7%

MTFP Savings and increased income

9. The 2016/17 budget was based on the achievement of permanent base budget savings and increased income of £16.38m. At Executive in March 2016 there was a decision to amend the policy on social care transport impacting on the overall savings programme. The savings target was subsequently reduced to £16.10m, with the adverse impact of this change being included in the overall CFW monitoring position. Full details are included in the latest Transformation Programme Board Report.
10. The latest forecast indicates that total savings of £16.34m have been or are projected to be delivered by 31 March 2017. This represents an overachievement against target of £242k.

RESERVES

11. The 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.

Table 4 : General Reserve Movements	(£000's)
Balance 31 March 2016	(7,894)
Commitments in 2016/17:	
- Planned use for 2016/17 Budget	1,850
- Planned use for one-off projects 2016/17	44
Balance 31 March 2017	(6,000)

12. 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. Since the previous period monitor, a detailed review has been completed and identified £5.66m of firm commitments against the brought forward figure.

Table 5: Service balances	b/f April 2016 (£000's)	Firm Commitments (£000's)	Est Balance (£000's)
Children, Families & Wellbeing	(1,837)	1,590	(247)
Economic Growth, Environment & Infrastructure	(1,740)	1,701	(39)
Transformation & Resources	(2,372)	2,372	0
Total (Surplus)/Deficit	(5,949)	5,663	(286)

13. It is proposed that no further commitments are made against the CFW service reserve in order to balance the Period 6 projected year end overspend of £214k.

COLLECTION FUND

Council Tax

14. 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%).
15. As at September 2016 the total in-year surplus is forecasted at £0.68m, a marginal improvement of £0.02m over the previous period. After taking account of the planned application to support the 2016/17 budget of £0.36m and reductions as a consequence of back-dated valuations and awards of discounts or exemptions of £0.10m, the end of year surplus balance is forecasted to be £2.07m. The Council's share of this is £1.73m, and is planned to support future budgets in the MTFP.
16. Council Tax collection rate as at 30 September 2016 was 58.8%, which is above the targeted collection rate of 58.6%.

Business Rates

17. The 2016/17 budget included anticipated growth in retained business rates and related S31 grants of £4.51m. Latest forecasts of business rate income indicate a potential one-off shortfall in retained business rate income of £1.38m caused by an unexpected increase in the level of appeals. Whilst this has a benefit in that it reduces the overall levy payable on growth (See comments on the Council-wide budget in Table 2) it means there will be a deficit on the collection fund. This position will be monitored during the remainder of the year but if the deficit position remains then it will need to be financed and therefore it is proposed to earmark reserves to cover this, including the MAG earmarked reserve.
18. Business Rates collection rate as at 30 September 2016 was 56.88% compared to a targeted collection rate of 56.62%.

CAPITAL PROGRAMME

19. The value of the indicative 2016/17 Capital Programme reported in the P4 monitor report was £45.30m. Taking into account re-phasing and new external contributions the budget is currently estimated at £42.55m. The changes to the budget are detailed below and are summarised as follows :

Table 6: Capital Investment Programme 2016/17	P4 Programme (£000's)	Changes (£000's)	Current Programme (£000's)
Service Analysis:			
Children, Families & Wellbeing	13,608	(325)	13,283
Economic Growth, Environment & Infrastructure	28,404	(2,429)	25,975
Transformation & Resources	3,287	-	3,287
Total Programme	45,299	(2,754)	42,545

➤ **Rephasing to 2016/17 and 2017/18 - £(2.77)m**

- School Capital Maintenance Programme: £ (325) k. A small number of kitchen improvement projects have had to be re-programmed to 2017/18 due to time constraints to undertake the work in the last summer holidays. As a result £325k has been re-profiled to 2017/18.
- Relocation of depot facilities: £ (1.00) m. The construction element of the project is expected to complete in September 2017. To reflect this £1.00m has been re-phased into 2017/18.
- Cycling Initiatives: £ (1.704) m. The TfGM funded City Cycle Initiative Programme and the Altrincham & Ashton-on-Mersey Cycle Link projects are now expected to complete in 2017/18. Due to 3rd party land ownership negotiations and design issues relating to planning applications agreement has been given by TfGM for the deadline for spending the grant to be extended to November 2017.
- Asset Management Systems: £250k. New asset management computer facilities originally expected for implementation in 2017/18 is now being delivered in 2016/17. The budget has been accelerated accordingly.

➤ **New schemes and increases to existing budgets - £25k**

- Countryside Infrastructure Programme: £10k. A grant of £10k has been secured from City of Trees for additional infrastructure works on Broad Ees Dole at Sale Water Park, taking the total budget for that project up to £31k.

- Altrincham Crematorium – Office Refurbishments: £15k. Works are required to bring the public areas of the office to an acceptable standard. A scheme with a value of £30k has been added to the capital programme which is to be funded partly from savings on the replacement cremators at the crematorium project (£15k) and a contribution from a crematorium related revenue reserve (£15k).

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

Table 7: Capital Investment Resources 2016/17	P4 Programme (£000's)	Changes (£000's)	Current Programme (£000's)
External:			
Grants	17,536	(2,032)	15,504
Contributions	7,937	10	7,947
Sub-total	25,473	(2,022)	23,451
Internal:			
Receipts	7,371	253	7,624
Borrowing	12,008	(1,000)	11,008
Reserves & revenue	447	15	462
Sub-total	19,826	(732)	19,094
Total Resourcing	45,299	(2,754)	42,545

Status and progress of projects

21. Since the budget was set in February 2016 reports detailing planned projects covering schools, highways, greenspace and corporate landlord to be undertaken during the year have been agreed. These plans provide the basis on which the Capital Programme is monitored for both financial and physical progress.
22. As part of the monitoring process a record of the “milestones” reached by each project is kept to show the progress of the scheme from inclusion in the Programme through to completion. The table below shows the value of the programme across the milestone categories.

Table 8: Status on 2016/17 Projects	Current Budget (£m)	Percentage of Budget
Already complete	8.20	19%
Underway	23.56	56%
Programmed to start later in year	9.85	23%
Not yet programmed	0.94	2%
Total	42.55	100%

23. 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 £41.61m (98%) of the budget has now been spent, committed or is programmed to start in the year.

24. Schemes with a value of £942k are classed as “Not yet programmed” and relate to budgets where specific projects have not yet been agreed or budgets that have yet to have a start date planned. Priority will be placed on progressing schemes as soon as possible. Major areas included in this category are:

- **Social Care Investment - £650k.** Assessment of the options available in respect of the refurbishment of Ascot House and a programme of technological innovations continued to be assessed. There is potential that, due to the ongoing option assessment, not all this budget will be spent in year and some may need re-phasing to 2017/18.
- **ICT projects - £266k.** A number of projects currently remain on hold until the full effect of the reshaping agenda and its impact on the Council’s ICT infrastructure requirements is known.

25. The table below provides a more detailed analysis by service area.

Table 9: Status by Service Area	Already complete	Under-way	Programmed	Not yet Programmed
Children, Families & Wellbeing	54%	25%	16%	5%
Economic Growth, Environment & Infrastructure	4%	68%	28%	0%
Transformation & Resources	5%	78%	9%	8%

Summary

26. The monitoring undertaken during the period has resulted in projected outturn expenditure of £42.55m. Whilst there is a total £41.61m of schemes for which there are known milestone dates there may be issues arising which could affect delivery between now and year-end. Also there are projects where delivery is outside of the Council’s control (e.g. Metrolink extension). All schemes will continue to be monitored and any change in expected delivery will be included in future reports.

Issues / Risks

27. 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

28. That the Executive note the report and the changes to the Capital Programme as detailed in paragraph 19.