

TRAFFORD COUNCIL

Report to: Executive

Date: 24 July 2017

Report for: Discussion

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

Report Title:

Budget Monitoring 2017/18 – Period 2 (April to May 2017).

Summary:

The purpose of this report is to inform Members of the current 2017/18 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 17.

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 2017/18.
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 ClearanceGB...

Legal Officer ClearanceDA.....

CORPORATE DIRECTOR'S SIGNATURE 

REVENUE BUDGET

Budget Monitoring - Financial Results

1. The approved budget agreed at the 22 February 2017 Council meeting is £160.83m. In determining the budget an overall gap of £25.37m was addressed by a combination of additional resources of £9.80m, including projected growth in business rates, council tax and use of general reserve and £15.57m of service savings and additional income.
2. Based on the budget monitoring for the first 2 months the year end forecast outturn is an underspend of £0.874m. This position reflects the active process of prudent budget management as managers are acutely aware of the overall budget position of the Council. At this stage caution should be exercised as the projections are based on a number of assumptions including delivery of the significant savings programme in year (See Para 9), the ongoing risk to business rate income (See Para 15) and the stability of demographic pressures in social care which at this stage are forecast to be contained within budget.
3. Detailed below in Table 1 is a summary breakdown of the service and funding variances against budget, with Table 2 providing an explanation of the variances:

Table 1: Budget Monitoring results by Service	2017/18 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	32,015	32,015	0	0.0%
Adult Services (Inc. Public Health)	58,156	58,156	0	0.0%
Economic Growth, Environment & Infrastructure	38,585	38,165	(420)	(1.1)%
Transformation & Resources	17,174	16,667	(507)	(3.0)%
Total Directorate Budgets	145,930	145,003	(927)	(0.6)%
Council-wide budgets	14,895	14,948	53	0.4%
Net Service Expenditure variance	160,825	159,951	(874)	(0.5)%
Funding				
Business Rates (see para. 15)	(67,462)	(67,462)	-	
Council Tax (see para. 13)	(88,630)	(88,630)	-	
Reserves	(3,058)	(3,058)	-	
Collection Fund surplus	(1,675)	(1,675)	-	
Funding variance	(160,825)	(160,825)	0	0.0%
Net Revenue Outturn variance	0	(874)	(874)	(0.5)%
Dedicated Schools Grant	125,218	125,227	9	0.0%
Public Health	12,178	12,178	0	0.0%

Budget Virements

4. The following budget virements have been made, under delegated powers, since the February 2017 Budget Report:
- Children’s Services/ Adult’s Services – Safeguarding Development Manager post moved from Children’s to Adult’s Services, £55k;
 - Economic Growth, Environment & Infrastructure/Council Wide – Insurance charge from EG&I to Council Wide £6k;
 - Transformation & Resources/Council Wide – Liability Order Income moved from T&R to Council-wide £639k;

Main variances, changes to budget assumptions and key risks

5. The main variances contributing to the projected underspend of £0.874m, 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	Nil	The overall Children’s position is that its projected outturn will be within its current budget. However this is predicated on the service achieving its saving target of £2.5m, of which £0.8m has been achieved to date. The number of children in care as at the end of May 2017 is 377, a reduction of 7 from the end of March 2017.
Adult Services / Public Health	Nil	The overall Adult position is that its projected outturn will be within its current budget. However this is predicated on the service achieving its saving target of £8.4m, of which £3.5m has been achieved to date.

<p>Economic Growth, Environment & Infrastructure</p>	<p>(420)</p>	<p>The projected underspend includes:</p> <ul style="list-style-type: none"> • £500k potential waste disposal cost pressures in the year. This includes for a continuation of additional residual waste disposal costs from 2016/17 and for new risks associated with the ongoing review of waste disposal at GM level. This pressure has been mitigated by £600k additional income from earlier than expected take up levels of the paid garden waste collection service introduced this year with customer demand originally profiled over three years. This income is, hence, an acceleration of the approved saving and is therefore a one-off benefit this year; • Additional rental income from investment properties, £170k, with a further £106k from Oakfield Road car park remaining open due to the updated phasing of the Altair scheme. Planning income is £82k above target but has effectively been reinvested to provide for additional planning staff to help meet demand and support economic and housing growth in the Borough. • Underspend of £186k predicted from vacant staff posts, which is being partly addressed through a review of structures to improve the ability to appoint and retain staff and better meet service delivery needs (e.g. in the Housing and Growth teams). • Other running costs are £177k above budget and include rental costs which the Council is responsible for associated with the move to a new depot, commercial waste collection and also miscellaneous property maintenance. • Other income (e.g. parking, licencing, highways, building control) is expected to be £47k below budget.
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Transformation & Resources	(507)	<p>Forecast staff costs are £427k less than budget across the Directorate based on actual and projected vacancies, which is 2.1% of the total staffing budget. This is lower than the average level experienced in 2016/17 of 4.6%, and reflects the ongoing efforts to fill outstanding vacant posts.</p> <p>Additional SLA income of £110k within HR mainly related to traded services with schools and other favourable income of £11k is offset by a number of smaller income shortfalls across the Directorate, including legal services income from capital schemes £40k, CCTV project rephasing £24k, Bereavement Services demand £53k.</p> <p>Running costs are currently projected to be £76k below budget.</p>
Council-wide budgets	53	<p>The projected underspend includes:</p> <ul style="list-style-type: none"> • Housing Benefit Overpayment recovery above budget, £762k. This figure reflects the successful recovery of previous years' housing benefit overpayments and is one-off in nature. This achievement has enabled the creation of a new earmarked reserve which will be used to smooth the budget reductions required in the 2018/2019 budget • Overpayment recovery of previous years' Council Tax Benefit, £49k; • Treasury Management savings of £32k mainly as a result of additional interest generated from the £4m loan to LCCC for the hotel project being made earlier than originally planned; • There is a projected shortfall in the savings associated with the 'Advance contributions to GM Pension Fund' project of £165k (see para, 9 below). • Apprenticeship Levy saving against budget of £31k.
Dedicated Schools Grant	9	<p>There is a small projected overspend in costs within the high needs block of the DSG of £52k. This is offset by minor savings within the Schools and Early Years blocks of £39k and £4k respectively. The level of reserve brought forward from 2016/17 is £724k.</p>

Progress against Locality Plan

6. 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
7. 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 in Table 3.

Table 3: Locality Plan Update	2017/18 Budget (£000's)	Outturn (£000's)	Variance (£000's)	Percentage
Public Health	12,178	12,178	0	0.0%
Adult Social Care	57,180	57,180	0	0.0%
Children and Families	31,960	31,960	0	0.0%
Total	101,318	101,318	0	0.0%

MTFP Savings and increased income (Vision 2031 Portfolio)

8. The 2017/18 budget is based on the achievement of permanent base budget savings and increased income of £15.57m (see para. 1 above). In addition a number of savings initiatives which underachieved in 2016/17 have been rolled over to the 2017/18 programme totalling £1.36m, giving a total savings target of £16.93m.
9. The latest forecast indicates that total savings of £16.74m have been or are projected to be delivered by 31 March 2018. This represents an underachievement against target of £195k and includes £8.30m already achieved (49.6%) and £8.44m (50.0%) still to be achieved. At this stage the current reported monitored position assumes that these savings will be delivered in full, albeit this represents a risk to the overall monitoring position until all management actions to deliver the savings are complete. Full details are included in the latest Transformation Programme Board Report dated 21 June 2017

RESERVES

10. The pre-audited General Reserve balance brought forward is £6.00m, the approved minimum level agreed by Council in February 2017.
11. Service balances brought forward from 2016/17 were a net £4.11m and are largely allocated to support Vision 2031 Portfolio projects in 2017/18 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/f April 2017 (£000's)
Table 4: Service balances	
Communities, Families & Wellbeing	(793)
Economic Growth, Environment & Infrastructure	(1,205)
Transformation & Resources	(2,113)
Total (Surplus)/Deficit	(4,111)

12. A new earmarked reserve has been established which will be used to hold the Housing Benefit Overpayments recovered during the year in excess of budget. This reserve will be specifically utilised to support future years' budget pressures.

COLLECTION FUND

Council Tax

13. The 2017/18 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 total surplus brought forward as at 1 April 2017 was £2.54m.
14. Council Tax collection rate as at 31 May 2017 was 21.1%, the same as the targeted collection rate.

Business Rates

15. The 2017/18 budget included anticipated growth in retained business rates and related S31 grants of £5.46m and at this stage it is still anticipated that this will be achieved in year. However, there still remains significant risk from an increase in business rate appeals but until a more detailed understanding is reached with the Valuation Office Agency on existing appeals, no further increase in the appeals provision over that already assumed in the budget has been made.
16. Business Rates collection rate as at 31 May 2017 was 20.17% compared to a targeted collection rate of 19.50%.

CAPITAL PROGRAMME

17. The value of the indicative 2017/18 Capital Programme set in February 2017 was £65.74m. Taking into account re-phasing from 2016/17, changes to government grant allocations and new external contributions the budget is currently estimated at £71.71m. The changes to the budget are detailed below and are summarised as follows:

Table 5 - Capital Investment Programme 2017/18	Approved Programme £m	Changes £m	Current Programme £m
Service Analysis:			
Children, Families & Wellbeing	14.01	1.29	15.30
Economic Growth, Environment & Infrastructure	41.21	8.99	50.20
Transformation & Resources	10.52	(4.31)	6.21
Total Programme	65.74	5.97	71.71

➤ **Rephasing from 2016/17 - £5.48m**

As reported in the Capital Outturn Report a number of schemes did not complete in 2016/17 as expected and the budgets have been re-phased into 2017/18 and later years.

➤ **Changes to government grant allocations - £216k**

These include an increase in the Better Care Fund allocation for disabled facilities grants of £253k and minor reductions to schools capital maintenance and devolved formula capital grants.

➤ **New schemes and increases to existing budgets - £275k**

A new front-end scanning system is to be introduced, at a cost of £131k, to process invoices digitally, promptly and with more automation which will provide efficiencies across the organisation as well as reduce errors.

Contributions of £137k have been secured from TfGM to support two casualty reduction schemes at Sevenways roundabout, Stretford and Kings Road / Upper Chorlton Road, Old Trafford and the provision of cycle parking facilities at various locations across the borough.

18. 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 6 - Capital Investment Resources 2017/18	Approved Programme £m	Changes £m	Current Programme £m
External:			
Grants	17.46	2.38	19.84
Contributions	4.65	4.99	9.64
Sub-total	22.11	7.37	29.48
Internal:			
Receipts	15.13	0.74	15.87
Borrowing	28.18	(2.68)	25.50
Reserves & revenue	0.32	0.54	0.86
Sub-total	43.63	(1.40)	42.23
Total Resourcing	65.74	5.97	71.71

Status and progress of projects

19. On average outturn performance over the last 4 years has been £30m and appears to highlight that delivery of the current Capital Programme is un-attainable. This section aims to give certainty about delivery and the level of outturn performance that can be expected.
20. There are a number of large value initiatives included in the current programme which are planned to be delivered in year. These include:
 - **Capital Investment Fund:** A total budget of £20m phased across 2 years with £15m planned for 2017/18.
 - **Metrolink extension into Trafford Park:** £20m contribution to TfGM of which £7m is included in 2017/18 and has now been paid.
 - **New depot facilities:** A budget £5.01m for the purchase and redevelopment of new depot facilities. Purchase of the site has been completed and work is now underway. Completion planned for October 2017.
 - **Schools expansion schemes:** Projects with a value of £13.09m are included to continue the expansion programme, with £7.60m of this planned for 2017/18. Contracts have been let for 3 schemes, whilst design and consultation with other schools is being undertaken.
21. Since the budget was set in February 2017 a report detailing planned projects totalling £7.42m covering highways, corporate landlord and greenspace to be undertaken during the year has been agreed and all schemes are programmed to be undertaken in 2017/18.
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 7 - Status on 2017/18 Projects	Current Budget £m	Percentage of Budget
Already complete	2.77	4%
On site	30.12	42%
Programmed to start later in year	18.58	26%
Not yet programmed	20.24	28%
Total	71.71	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 £51.47m (72%) of the budget has now been committed or is programmed to start in the year.
24. Schemes with a value of £20.24m 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.
25. A number of other schemes are classed as “Not yet programmed” and relate to budgets where final business cases are still being developed. The outcome of these business cases will determine progress and delivery but it is intended that these projects will be delivered in year. These include:
- City Cycle Ambition Grant Works - £913k: Executive approval has recently been granted and a programme of works can now be agreed.
 - Leisure Services Assets – Improvement Programme - £905k.
 - ICT – SAP development - £400k.
 - New Recycling Bins - £300k.
 - Waste - Tri Bin: “Recycling on the Go” - £261k.

Issues / Risks

26. 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

27. That the Executive note the report and the changes to the Capital Programme as detailed in paragraph 17.