

TRAFFORD COUNCIL

Report to: Executive

Date: 25 September 2017

Report for: Discussion

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

Report Title:

Budget Monitoring 2017/18 – Period 4 (April to July 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 forecast revenue budget underspend of £326k
- b) the Executive note the additional £600k investment in the highways which has been made possible by the overachievement of income on garden waste collection as detailed in table 2.
- c) The executive note 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 Clearance ...GB.....

Legal Officer Clearance DA

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 4 months the year end forecast outturn is an underspend of £326k, an adverse movement of £548k since Period 2. This overall position reflects the active process of prudent budget management as managers are acutely aware of the overall budget position of the Council. This position also takes into account planned additional investment in the Council's highways of £600k due to the positive position of the EGEI budget (See Table 2). 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 8), the ongoing risk to business rate income (see para 15) and the stability of demographic pressures in social care.
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 Revised * Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	31,947	32,175	228	0.7%
Adult Services (Inc. Public Health)	58,402	59,261	859	1.5%
Economic Growth, Environment & Infrastructure	38,504	37,937	(567)	(1.5)%
Transformation & Resources	17,057	16,590	(467)	(2.7)%
Total Directorate Budgets	145,910	145,963	53	0.0%
Council-wide budgets	14,915	14,536	(379)	(2.5)%
Net Service Expenditure variance	160,825	160,499	(326)	(0.2)%
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	(326)	(326)	(0.2)%
Dedicated Schools Grant **	124,807	124,929	122	0.1%
Public Health	12,178	12,178	0	0.0%

* A number of budget virements have been made, under delegated powers, since the Period 2 Budget Monitoring Report and are detailed in Annex 1.

** A reduction in grant of £412k since Period 2 to reflect lower numbers of 3 to 4 Year Olds.

Main variances, changes to budget assumptions and key risks

4. The main variances contributing to the projected underspend of £326k, the adverse movement of £548k since Period 2, 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	228	<p>The overall forecast position is an overspend of £228k, an adverse movement of £228k since Period 2.</p> <p>The main reason for this is the delay in the implementation of some savings programme activity which is causing a forecast underachievement of £0.4m against the £2.5m savings target in the Children's placement budget. However, this is partly offset by vacancies across the service of £0.2m. The planned increase in foster care allowances of approximately £0.3m is effective from October. However, this cost pressure is not reflected in this monitoring report as this forms part of the Health and Social care transformation bid and thus it is anticipated that this will be funded as part of that programme. The outcome of which will be known by October 2017.</p> <p>The number of children in care as at the end of July 2017 is 378, an increase of 1 from that last reported.</p>

<p>Adult Services / Public Health</p>	<p>859</p>	<p>The overall position is a forecast overspend of £859k, an adverse movement of £859k since Period 2.</p> <p>The majority of this (£0.7m) is in the adult client budget where there is an increase in the cost per person of care reflecting the increased complexity of cases, as well a growing absence of Council rate homecare and bed based provision in the borough. The continually shrinking bed base is increasing the number and costs of top-up fees payable by the Council as is the higher rate of home care packages. The accelerated work on delayed transfers of care, and the growing cohort of older people with complex needs, is continuing.</p> <p>There is also an underachievement of £0.2m on the reablement saving due to a delay in the implementation of this scheme.</p>
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<p>Economic Growth, Environment & Infrastructure</p>	<p>(567)</p>	<p>The overall position is a forecast underspend of £567k, a favourable movement of £147k since Period 2.</p> <p>This favourable movement includes business rate refunds on a number of car parks across the borough totalling £181k and backdated income from the let estate of £140k.</p> <p>The previous report also included an estimated £500k overspend associated with risks to the waste disposal levy. Part of this risk relates to the review of waste disposal arrangements at AGMA level and in light of latest information from the GM Waste Disposal Authority the estimated budget risk has been revised down by £312k. The overall underspend also includes £225k from updating the number and expected filling of staff vacancies during the year, which is an increase of £39k from the last report. Parking income projections have improved by £44k, including £23k relating to Oakfield Road car park remaining open. Planning income has also increased by £48k.</p> <p>Other net adverse movements across the Directorate of £17k.</p> <p>The previous monitoring position made reference to the new income from the garden waste collection service which has exceeded budgeted levels by £600k. Given the additional income and reduced spending pressures mentioned above it is now proposed that the £600k be used to support additional investment in the Council's highways.</p>
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Transformation & Resources	(467)	<p>The overall underspend of £467k includes staff cost savings of £594k and additional income and reduced running costs, saving £143k. These are offset by a shortfall in the savings associated with School crossing patrols of £270k, albeit other funding sources will be pursued where available.</p> <p>This is an adverse movement of £40k since Period 2.</p> <p>Forecast staff costs are £594k less than budget across the Directorate based on actual and projected vacancies, which is 3.0% of the total staffing budget. This is a favourable movement since Period 2 of £167k. However, 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>Projected income levels have increased by a net £70k since Period 2 across a number of services including SLA income mainly related to traded services with schools. Also, other income shortfalls across the Directorate have also reduced.</p> <p>Running costs are currently projected to be £69k below budget, a small adverse movement of £7k.</p>
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Council-wide budgets	(379)	<p>The projected outturn position is a forecast underspend of £379k. This is a favourable movement of £432k since Period 2 and relates wholly to the 2016/17 final dividend received from Manchester Airport Group of £3.03m, which is £432k above budget.</p> <p>The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above budget by £554k, largely as a result of the successful collection of prior years' housing benefit overpayments. There has been an adverse variance of £208k since Period 2, predominantly as a result of an anticipated loss in benefit subsidy due to an increase in the amount of overpayments being identified. This follows from a routine exercise linking declarations of applicant's income against the HMRC Real Time Information service.</p> <p>As in previous years, there is a high likelihood over time that the overpayments will be recovered, however these will not be included in forecasts until there is evidence of actual receipt. As reported previous, any overachievement on this budget will be transferred into a new earmarked reserve which will be used to smooth the budget reductions required in the 2018/19 budget. The estimated over recovery of £554k is therefore not included in the Council Wide outturn figure.</p>
Dedicated Schools Grant	122	<p>The increase in the projected overspend of £113k relates mainly to an increase in NNDR charges to Schools, following a number of recent revaluations.</p>

Progress against Locality Plan

5. 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.
6. 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	58,039	859	1.5%
Children and Families	31,960	32,188	228	0.7%
Total	101,318	102,405	1,087	1.1%

MTFP Savings and increased income (Vision 2031 Portfolio)

7. 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.
8. The latest forecast indicates that total savings of £15.77m have been or are projected to be delivered by 31 March 2018. This represents an underachievement against target of £1.16m and includes £11.15m already achieved (70.7%) and £4.62m (29.3%) 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.

RESERVES

9. The pre-audited General Reserve balance brought forward is £6.00m, the approved minimum level agreed by Council in February 2017.
10. 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)

11. 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

12. 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.
13. As at July 2017 the end of year surplus balance is forecasted to be £1.21m, after the application of £1.55m of brought forward surplus. The Council's share of this is £1.02m, and is planned to support future budgets in the MTFP
14. Council Tax collection rate as at 31 July 2017 was 39.9%, 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 July 2017 was 38.20% compared to a targeted collection rate of 38.24%. However the actual achieved is above the same time last year of 37.54%.

CAPITAL PROGRAMME

17. The value of the indicative 2017/18 Capital Programme set in February 2017 was £65.74m which was updated as a result of 2016/17 outturn and reported in the P2 monitor at £71.71m. Taking into account the addition of external contributions the budget is currently estimated at £72.34m. The changes to the are summarised as follows with details below:

Table 5 - Capital Investment Programme 2017/18	Approved Programme £m	Changes £m	Current Programme £m
Service Analysis:			
Children, Families & Wellbeing	15.30	0.13	15.43
Economic Growth, Environment & Infrastructure	50.20	0.50	50.70
Transformation & Resources	6.21	-	6.21
Total Programme	71.71	0.63	72.34

➤ **New schemes and increases to existing budgets - £628k**

Altrincham Town Centre Regeneration - As included in the 2016/17 Budget Outturn report £200k of capital receipt savings, carried over from 2016/17, has been applied to support works to the retaining wall along Moss Lane in Altrincham.

Schools Capital Investment - £134k of education related S.106 contributions have been added to the Capital Programme to support a range of building improvement schemes, £98k of which has been used to free-up previously allocated grant in order to support new safeguarding and health and safety works.

Sustainability & Greenspace - A further £264k of parks and open space related S.106 contributions have been added to a range of parks infrastructure and play area refurbishments projects to support and supplement the council's investment. Also £30k of EGEI reserves has been earmarked to support path and habitat improvements at Sale Water Park.

- **Capital Investment Fund** - Approval for a major increase to the fund was agreed at Council on 26 July 2017. The additional investment will be reflected in future monitoring reports.

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	19.84	-	19.84
Contributions	9.64	0.40	10.04
Sub-total	29.48	0.40	29.88
Internal:			
Receipts	15.87	0.20	16.07
Borrowing	25.50	-	25.50
Reserves & revenue	0.86	0.03	0.89
Sub-total	42.23	0.23	42.46
Total Resourcing	71.71	0.63	72.34

Status and progress of projects

19. This section aims to give certainty about delivery and the level of outturn performance that can be expected in 2017/18.
20. There are a number of schemes which, whilst they have started or are still due to start in year, are not now expected to complete until 2018/19. As a result, although the budget is currently £72.34m, estimated outturn is now expected to be £59.80m. Included in the variance are:
- **Capital Investment Fund:** Purchase of the first investment has commenced and a deposit has been paid with completion expected by May 2018.
 - **Altrincham – Library / Community facility:** The Council has agreed a £2.0m premium for a 125 year lease of the facility, the balance of £1.74m is now to be paid in September 2018.
 - **Additional Burial Land:** The purchase of the land from the National Trust is expected to complete this year, whilst the required infrastructure works, at an estimated cost of £436k, are programmed to start in 2018/19.
21. 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	10.12	14%
On site	46.21	63%
Programmed to start later in year	11.73	16%
Not yet programmed	4.28	7%
Total	72.34	100%

22. 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 £68.06m (93%) of the budget has now been committed or is programmed to start in the year.
23. Schemes with a value of £4.28m are classed as “Not yet programmed” and relates to budgets where specific projects have not yet been agreed or 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.

Issues / Risks

24. 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

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

Table 2: Virements	Children's (£000's)	Adults (£000's)	EGEI (£000's)	T&R (£000's)	Council- wide (£000's)	Total (£000's)
Period 2 Report	32,015	58,156	38,585	17,174	14,895	160,825
Public Health income budget re-aligned from Adult to Children's services.	(75)	75				
An element of the Agile Working Budget moved from Adults to Children's Early Years' service to cover the statutory costs of the Trafford Directory System.	9	(9)				
Performance systems contracts re-alignment	(2)			2		
Senior Accounting Technician post moved from CFW Reshaping Team to CFW Finance Team in T&R.		(36)		36		
NHS funding budget now managed by Partnerships and Communities service.		216		(216)		
AGMA Projects budgets re-alignment.			(2)	(22)	24	
Income from GMSS Trading Account for support services.			(79)	83	(4)	
Total virements	(68)	246	(81)	(117)	20	0
Period 4 Report	31,947	58,402	38,504	17,057	14,915	160,825