

TRAFFORD COUNCIL

Report to: Executive

Date: 15 July 2019

Report for: Information

Report of: The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems

Report Title:

Budget Monitoring 2019/20 – Period 2 (April to May 2019).

Summary:

The purpose of this report is to inform Members of the current 2019/20 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 the Executive:

- a) note the report, the changes to the Capital Programme as detailed in paragraph 16 and the capitalisation of interest costs on the Brown St, Hale redevelopment scheme as detailed in Paragraph 24.

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 2019/20.
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

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Other Options

Not Applicable

Consultation

Not Applicable

Reasons for Recommendation

Not Applicable

Finance Officer ClearanceGB.....

Legal Officer ClearanceDS.....

CORPORATE DIRECTOR'S SIGNATURE



REVENUE BUDGET

Budget Monitoring - Financial Results

1. The approved budget agreed at the 20 February 2019 Council meeting is £169.94m. In determining the budget an overall gap of £13.44m was addressed by a combination of additional resources of £6.59m, including projected growth in business rates, council tax and use of reserves and £6.85m of service savings and additional income.
2. Based on the budget monitoring for the first 2 months of the year the forecast outturn is an overspend of £1.871m. At this early stage of the financial year a cautious approach is taken when projecting budgets and a prudent level of contingency budget for future growth in client numbers is included in the demand led service areas within children's and adults. Further work is continuing in an attempt to reduce public health expenditure which should also help the position.
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	2019/20 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	35,443	37,105	1,662	4.7%
Adult Services	49,062	49,368	306	0.6%
Public Health	12,219	12,782	563	4.6%
Place	34,797	34,963	166	0.5%
People	3,254	3,327	73	2.2%
Finance & Systems	7,487	7,406	(81)	(1.1)%
Governance & Community Strategy	7,735	7,804	69	0.9%
Total Directorate Budgets	149,997	152,755	2,758	1.8%
Council-wide budgets	19,940	19,053	(887)	(4.5)%
Net Service Expenditure variance	169,937	171,808	1,871	1.1%
Funding				
Business Rates (see para. 13)	(66,489)	(66,489)		
Council Tax (see para. 9)	(99,500)	(99,500)		
Reserves	(2,624)	(2,624)		
Collection Fund surplus	(1,324)	(1,324)		
Funding variance	(169,937)	(169,937)	0	0%
Net Revenue Outturn variance	0	1,871	1,871	1.1%
Dedicated Schools Grant	133,608	133,346	(262)	(0.2)%

Budget Adjustments and Virements

There have been a small number of budget re-alignments between children's and adults services totalling £5k.

Main variances, changes to budget assumptions and key risks

4. The main variances contributing to the projected overspend of £1.871m, 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	1,662	<p>Projected outturn variance £1.662m adverse</p> <ul style="list-style-type: none"> ➤ £1.564m above budget on Children's placements (Note 1); ➤ £0.098m above budget on home to school transport and nurseries (note 2) <p><u>Note 1</u></p> <p>The variance of £1.564m is as a result of a continuing rise in demand and increasing costs of children's placements which is in contrast to the assumptions in the budget. At the budget setting process the number of children in care as at the end of January 2019 was 406. This number as at the end of May 2019 is 427, an increase of 21. The service is now close to full capacity with the use of in-house foster carers so are utilising more Independent Foster Agencies (IFA's) which are at a higher cost. Some of the young people in out of borough residential care have plans to move to family based care but timelines for these have had to be reviewed to ensure these are safe moves and there has also been an increase in the number of young people requiring out of borough residential care. Additionally the service has also seen an increase in the number of children receiving aftercare who have complex needs.</p> <p>Within the projected forecast there is an anticipated reduction in costs of £1.2m as the service constantly monitors the progress and possible next steps for young people in care.</p> <p>A demand risk contingency of £1.1m is also included to cover any further demand and potential timeline changes to the anticipated reductions mentioned above.</p> <p>The above position assumes that the £573k identified</p>

		<p>savings target will be achieved in full and as at the 31/05/18 £438k of this has been achieved.</p> <p>The service is working on strategies to minimise the forecasted overspend and will attempt to make the most cost effective decisions for Children entering care without compromising on outcomes for Children and safety. The service is actively pursuing options that will allow Children currently placed outside of the borough in high cost external placements to return to Trafford which would result in cost reductions, maximising internal sufficiency. The service is also adopting new working methods in the form of Restorative Practice and No Wrong Door (post October) aimed at improving early help and reducing the need for the escalation of Children through the service.</p> <p><u>Note 1a</u> As a consequence of the increase in demand current projections indicate there is a potential £380k of additional staffing costs over budget this is because a decision was made last year to recruit above establishment levels to avoid vacancies affecting services. However at this stage it is anticipated that these costs will be offset by underspends that will materialise as a natural result of vacancies occurring throughout the financial year and will be monitored closely.</p> <p><u>Note 1b</u> The service has operated at speed to address the issues raised in the recent OFSTED Report by increasing capacity at the front door and bringing in additional agency social workers and team leaders. There is an Improvement Board in place that is monitoring the development and implementation of an Improvement Plan which outlines the actions and resources required. A one-off budget of £1.5m for 2019/20 has been set aside for this with commitments to date of £1.4m to make the immediate changes needed. The budget process for 2020/21 includes an additional recurrent budget of £1m to support long-term approaches to embed improvements.</p> <p><u>Note 2</u> The Home to School Transport service continues to</p>
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		<p>experience high demand and increasing costs and although the full extent of projected costs will not be known until demand is confirmed when the new school year commences in September, current forecasts show that the service will be £74k overspent at the year end.</p> <p>Finance will continue to work with the service to monitor levels of overspend throughout the financial year although demand for services remains high.</p> <p>The remainder of the overspend, £24k, is due a shortfall in anticipated income at the Sanyu and Partington nurseries.</p>
Adult Services	306	<p>Projected Outturn variance £306k adverse</p> <p>The main area of volatility across adults is in the client budget and the reason for the adverse variance is largely due to the continuing complexity in the market. There is a significant challenge for the service to procure care at framework prices and although the budget incorporated an element for this the forecast position is expected to be higher than anticipated.</p> <p>Within the projection there is a demand risk contingency budget of £1.2m set aside for additional increases in demand/cost pressures throughout the financial year.</p> <p>The 19/20 budget includes a savings target of £0.560m. To date £162k has been realised and it is expected that the target will be achieved in full.</p> <p>The service continues with its initiatives to reduce these cost pressures by:</p> <ul style="list-style-type: none"> • Increasing the use of the short term recovery services within the Stabilise and Make Safe service (SaMS), ensuring that clients can increase/maintain their independence and reduce demand for residential/nursing and homecare services; • Extending the use of equipment solutions to meeting needs through the Right Care for you programme; • Exploring alternative contracting and payment arrangements including block purchasing; • Increasing the use of technology; • Exploring further programmes across learning

		<p>disability and mental health services to manage demand and costs of care to support the budget planning for 20/21.</p> <p>Note 1 The service continues to be under pressure due to increased demand across all assessment teams, which is causing a backlog of case allocation, and the need to prevent delayed transfers of care from hospitals which is increasing the need to use agency staff. As a consequence current projections indicate there is a potential £150k of additional staffing costs over budget, this is partly due to a decision made last year to recruit above establishment level to avoid services suffering as a result of vacancies. However at this stage it is anticipated that these costs will be offset by underspends that will materialise as a natural result of vacancies occurring throughout the financial year.</p>
Public Health	563	<p>Projected Outturn variance £563k adverse.</p> <p>The service is under significant pressure this year to reduce its expenditure in order to mitigate the increasing costs of the Community Services contract currently provided by Pennine Care NHS Foundation Trust and due to transfer to the new provider in October 2019. The additional cost pressure amounts to £1.641m which has been offset by a number of planned savings amounting to £0.997m and a projected underspend on staffing of £56k and running costs of £25k.</p> <p>The planned savings of £0.997m above are not all recurrent; £418k is one-off in nature. This means that there is currently a predicted shortfall in recurrent savings of £1.062m and this may present a pressure on next year's budget.</p> <p>The service is continuing to explore further options for savings for this year and for 2020/21.</p> <p>Based on the performance in achieving the level of savings to date it has allowed the release of an element of the risk contingency held in the council wide budget specifically to mitigate against the delivery of these savings.</p>
Place	166	<p>Projected outturn variance £166k adverse:-</p>

		<ul style="list-style-type: none"> ➤ staff cost underspend from vacancies of £150k, which is 3.1% of the overall staffing budget and £87k in excess of the Directorate-wide efficiency savings target. ➤ £192k shortfall in income from Stretford Arndale turnover rent, continuing from 2018/19. ➤ additional one-off costs of £119k associated with surplus properties awaiting disposal/re-development. ➤ £50k for backlog of tree maintenance. ➤ £160k one-off additional income from Regent and Oakfield Road car parks remaining open longer than expected, and £26k other parking income. ➤ Building control trading account has a forecast net deficit of £57k for the year. ➤ Other minor variances, including property costs/income £21k. <p>Note – The Planning service budget is ring-fenced in line with government regulations resulting in a neutral impact on the forecast outturn. There was a £222k underspend in 2018/19 which has been carried forward to 2019/20 through reserves accordingly. Currently there is a projected underspend of £203k from staff vacancies and £119k in running costs, fully offset by a shortfall in income against target of £322k.</p>
People	73	<p>Projected outturn variance £73k adverse:-</p> <ul style="list-style-type: none"> ➤ Staff costs are underspent by £66k due to vacancies during the year, which is 2.3% of the staffing budget. ➤ Running costs are £59k above budget including £35k relating to a trading deficit at Flixton House. ➤ Additional income above budget mainly from traded services of £48k. ➤ The above are offset by the budgeted Directorate-wide efficiency saving target of £128k.

Finance & Systems	(81)	Projected outturn variance £81k favourable:- <ul style="list-style-type: none"> ➤ Staff costs are underspent by £134k due to vacancies during the year, which is 1.4% of the staffing budget. The main areas of vacancies are Exchequer services, where staff turnover is traditionally high, and ICT, which reflects the current difficulties in recruiting to this service and a pending restructure. ➤ Net underspend on running costs of £102k. This includes a £67k underspend in Finance Exchequer Services, mainly in council tax billing and printing costs, and a £35k reduction in central ICT maintenance contract costs. ➤ Income is £32k above budget relating to ICT external SLA work (e.g. with schools). ➤ The above are offset by the achievement of the budgeted Directorate-wide efficiency saving target of £187k.
Governance & Community Strategy	69	Projected outturn variance £69k adverse:- <ul style="list-style-type: none"> ➤ Staff costs are underspent by £295k due to vacancies during the year, which is 4.1% of the staffing budget. This is £102k in excess of the Directorate-wide efficiency saving target. The main areas of vacancies are in Legal Services, which reflects challenges in recruitment for this sector, and the Access Trafford contact centre, where staff turnover is traditionally high. ➤ Net running costs above budget of £32k, including demand led legal costs; ➤ A shortfall of £95k compared to budget, relating to trading activity at Sale Waterside Arts Centre. ➤ Income shortfall of £44k including £31k relating to CCTV trading.
Council-wide budgets	(887)	Projected outturn variance £887k favourable:- <ul style="list-style-type: none"> ➤ Release of contingencies totaling £700k due to the achievement of public health savings and to cover the shortfall in ground rent income from Stretford Mall (see above). ➤ Additional income, including a rebate from the

		<p>GMCA £250k.</p> <p>➤ Treasury Management – net costs of £63k relating mainly to the early repayment of the £4m loan held by Lancashire County Cricket Club.</p>
Dedicated Schools Grant	(262)	<p>Projected outturn variance £262k favourable</p> <p>It is projected that there will be an underspend of £262k on the DSG. An element of this relates to there being a number of vacancies on the SEN central and sensory impairment teams. The number and cost of Education and Health Care Plans continue to rise, albeit based on the first two months of activity projections indicate a small saving against predicted increased levels.</p>

MTFP SAVINGS AND INCREASED INCOME

- The 2019/20 budget is based on the achievement of permanent base budget savings and increased income of £6.855m (see para. 1 above). At this stage the latest forecast indicates that the savings programme is currently on target.

RESERVES

- The balance brought forward as at 1 April 2019 of usable reserves was £72.34m. A full analysis of all reserve movements will be reported on a quarterly basis to the Executive starting with the period 4 monitoring report.

TRANSFORMATION FUND

- An update on the delivery of the projects financed from Transformation Funding will be provided on a quarterly basis starting with the period 4 monitoring report.

COLLECTION FUND

Council Tax

- The 2019/20 surplus on the Council Tax element of the Collection Fund is shared between the Council (82%), the Police & Crime Commissioner for GM (13%) and GM Fire & Rescue Authority (5%). The total surplus brought forward as at 1 April 2019 was £2.18m.
- During the first two months of the year there has been a significant increase in the number of claims for Discounts and Reliefs which has seen a reduction in budgeted income of £0.81m. An initial full review to substantiate the award of discounts and reliefs is currently underway which will help to reduce this shortfall and it is expected to be completed by October 2019. In addition there has been a one-off release of 'credits held' of £1.60m, this relates to historical overpayments

by previous council tax payers, who have now left the area and cannot be traced.

10. As at 31 May 2019 the end of year surplus balance is forecasted to be £1.29m, after the application of £1.58m of brought forward surplus and £100k of backdated valuations. The Council's share of this is £1.05m, and is planned to support future budgets in the MTFP.
11. Council Tax collection rate as at 31 May 2019 was 20.90%, compared to the target of 20.91%.

Business Rates

12. The 2019/20 budget included anticipated growth in retained business rates, related S31 grants and redistribution of prior year surpluses of £13.29m. Projecting business rates is by its nature complex and prone to variation, therefore only quarterly updates will be given throughout the year. That said there continues to be pressure on achieving such a level of overall benefit; since the budget was set the overall rateable value of properties has continued to fall and together with a late adjustment to grant levels by MHCLG and some substantial backdating of appeal costs could mean that a potential funding shortfall will arise in 2019/20. To mitigate this a full review of the provision held to cover the cost of successful business rate appeals is being undertaken and an updated projection will be given in the period 4 monitoring report.
13. Business Rates collection rate as at 31 May 2019 was 20.64% compared to a targeted collection rate of 19.51%.

CAPITAL PROGRAMME

14. The value of the indicative 2019/20 Capital Programme set in February 2019 was £167.93m and included £100.00m for the Asset Investment Fund phased to 2019/20 (see Para.9). Taking into account re-phasing from 2018/19, changes to government grant allocations and new external contributions the budget is currently estimated at £261.67m. The changes to the budget are detailed below and are summarised as follows :

Table 3 - Capital Investment Programme 2019/20	Approved Programme £m	Changes £m	Current Programme £m
Service Analysis:			
Children's Services	21.81	(8.10)	13.71
Adult Social Care	3.41	(0.37)	3.04
Place	41.76	2.65	44.41
Governance & Community Strategy	0.05	1.34	1.39
Finance & Systems	0.90	1.08	1.98
General Programme Total	67.93	(3.40)	64.53
Asset Investment Fund	100.00	97.14	197.14
Total Programme	167.93	93.74	261.67

15. Amendments to General Capital Programme

➤ Rephasing from 2018/19 - £38.71m

As reported in the 2018/19 Outturn Report a number of schemes did not complete in 2018/19 as expected and budgets totaling £38.71m have been re-phased into 2019/20 and later years.

➤ Reprofiting from 2019/20 - £(45.13)m

The opportunity has been taken to review major budgets originally phased to 2019/20 where delivery is now expected to be phased across the 3 year programme. These include:

- **Schools Places Expansion Programme (£15.00m):** A grant of £18.10m has been awarded for 2019/20. A report to the Executive on 24 June 2019 approved the programme of works and as a result the expectation is that £3.10m will be spent this year with the balance phased across 2020/21 (£12.00m) and 2021/22 (£3.00m).
- **Leisure Strategy Programme (£25.00m):** The plans for the replacement Altrincham and Stretford Leisure Centres will commence once work at Urmston Leisure Centre is complete. As a result the majority of the budgets original phased to 2019/20 have been re-phased across 2020/21 (£4.00m) and 2021/22 (£21.00m) in line with expected start and completion dates.
- **Public Realm Works (£4.25m) :** The next phases of the works at both Altrincham and Stretford town centres are currently being drawn up and

as a result the works have been re-profiled across 2020/21 and 2021/22.

- **Schools - Devolved Formula Capital (£0.50m):** Individual schools have the responsibility for spending this annually awarded grant. However the schools have three years in which to invest the monies. As a result £0.50m has been re-profiled to reflect this flexibility and takes into account the history of spend across a number of years.

➤ **Changes to government grant allocations - £170k**

These include an increase to disabled facilities grants of 160k and schools capital maintenance grant of £12k and a reduction to the schools devolved formula capital grant (£2k).

➤ **New schemes and changes to existing budgets - £2.85m**

- As agreed in the 2018/19 Outturn Report £646k of identified savings has been added to support major highway infrastructure safety improvements at key sites across the borough.
- A grant of £2.68m from Highways England has been awarded for the cycle improvement works along the River Mersey, including a new bridge at Jacksons Boat and improved cycle routes from Urmston to Sale Water Park.
- The IT system supporting the Early Years Provider Hub will end in December 2019 and requires replacement. A new system to be provided by Liquid Logic has been identified as a suitable replacement. The cost of the new system is £97k and can be financed DSG reserve.
- The provision of accommodation for care leavers no longer requires capital investment as alternative provision has been identified with service providers. As a result the budgets of £580k have been removed from the Capital Programme.

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.

Table 4 - Capital Investment Resources 2019/20	Approved Programme £m	Changes £m	Current Programme £m
External:			
Grants	26.37	(7.91)	18.46
Contributions	14.16	(1.28)	12.88
Sub-total	40.53	(9.19)	31.34
Internal:			
Receipts requirement	5.66	6.40	12.06
Borrowing	119.58	94.91	214.49
Reserves & revenue contributions	2.16	1.62	3.78
Sub-total	127.40	102.93	230.33
Total Resourcing	167.93	93.74	261.67

17. When setting the three year programme in February 2019 an over-programming position of £2.94m was agreed. As a result of the removal of the two schemes reported above this has reduced to £2.36m.

Status and progress of projects

18. This section aims to give certainty about delivery and the level of outturn performance that can be expected. For the first time in setting a capital budget the report for 2019/22, approved in February 2019, provided appendices which detailed the projects for a number of “block” allocations in 2019/20. These cover highways, corporate landlord and greenspace and has allowed for earlier design and programming with the expectation that all schemes will be delivered in year.
19. 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.
20. At this early stage of the year delivery of the programme is still being drawn-up and details for scheme progress are still being finalised. Whilst it is anticipated that investment for the year will be £64.53m analysis across milestones will be provided in future reports and any amendments for outturn projections will be reported.

ASSET INVESTMENT PROGRAMME

21. The Council’s Investment Strategy was originally approved by the Executive in July 2017 when approval was given to set the Asset Investment Fund at £300m, supported by prudential borrowing. As part of the 2019/20 budget setting a further £100m was approved taking the fund up to £400m.
22. To date ten transactions have been agreed by the Investment Management Board at a total capital cost of £176.04m with actual costs incurred totalling £102.85m by the end of 2018/19. This investment to date has already has provided a net benefit to support the revenue budget in 2018/19 of £1.67m which will continue into 2019/20 and later years.
23. The current level of commitment stands at £73.19m and relates to :
- The purchase of Site K, Stretford was completed in April 2018 and the joint venture company with Bruntwood has been set up to progress the development of the site.
 - The proposed residential development of the Brown Street site in Hale is to be undertaken by Trafford at a gross cost of £7.16m, inclusive of capitalised interest financing costs of £153k. The projected development value will be £8.81m, giving a net surplus of approximately £1.65m which is in line with the financing assumptions for the overall capital programme.
 - The fund is to provide a debt facility of £60.80m to a developer for the construction of a new residential development at The Crescent, Salford. The provision of this facility was approved by the Investment Management Board as compliant with the Investment Strategy objective of delivering a financial return to support the Council’s revenue budget in addition to providing regeneration to the wider Greater Manchester economic area.

Table 5 : Asset Investment Fund	2017/18 £m	2018/19 £m	Commitment £m	Total £m
<i>Total Investment Fund</i>				<i>400.00</i>
Cost				
K Site, Stretford:-				
Equity in Trafford Bruntwood LLP	0.62	8.48	3.15	12.25
Development Loan to Bruntwood	0.62	8.48	3.15	12.25
Sonova House, Warrington	12.17			12.17
DSG, Preston	17.39			17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	10.84			10.84
Provision of debt financing for residential development	3.13	(3.13)		0
Trafford Magistrates Court		4.07		4.07
The Fort, Wigan		13.93		13.93
Sainsbury's, Altrincham		25.59		25.59
Brown Street, Hale		0.66	6.50	7.16
The Crescent, Salford			60.80	60.80
Total investments	44.77	58.08	73.60	176.45
Balance available				223.55

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, the changes to the Capital Programme as detailed in paragraph 16 and the capitalisation of interest costs on the Brown St, Hale redevelopment scheme as detailed in Paragraph 24.