

## TRAFFORD COUNCIL

**Report to:** Executive

**Date:** 19<sup>th</sup> September 2022

**Report for:** Information

**Report of:** The Executive Member for Finance and Governance and the  
Director of Finance and Systems

**Report Title:**

Budget Monitoring 2022/23 – Period 4 (April to July 2022).

### **Summary:**

The purpose of this report is to inform Members of the 2022/23 summary 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 updated summary positions on the revenue budget, collection fund and capital programme.

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

David Muggerridge, Head of Financial Management      Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not Applicable
Financial	Revenue and capital expenditure to be contained within available resources in 2022/23.  It is the responsibility of the Executive to operate within the budgetary framework set by the Council when it agreed the budget for 2022/23 at the Council Meeting on 16 February 2022. At this stage in the year it is necessary to alert

	Members that a further report may need to be presented to the Council to revise the 2022/23 budget envelope. This would be in the event that mitigations in the form of additional government funding and in-year savings are insufficient to cover any remaining in-year pressures, predominantly caused by the impact of inflation.
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
Carbon Reduction	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

## SECTION 1 - EXECUTIVE SUMMARY

1. The approved budget for 2022/23 agreed at the 16 February 2022 Council meeting was £192.57m. In determining the budget an overall gap of £20.14m was addressed by a combination of additional resources of £3.39m from Council Tax, use of reserves, £7.10m to address COVID-19 pressures and £4.33m for business as usual pressures, and £5.32m of service savings and additional income.
2. **Summary of outturn**

***There is a net estimated outturn pressure of £6.91m at Period 4, an improvement of £1.13m since Period 2. Note this position includes:-***

- the current performance against the approved budget which is a projected overspend of £912k (See Table 1 below)
- the impact of inflation, which is significantly higher than the provisions included in our approved budget and which are currently estimated to cost an additional £6m in 2022/23; this estimate remains unchanged from the period 2 position but given the uncertainty surrounding the outcome of the local government pay settlement for 2022/23 and the spiralling forecast for energy costs, significant risk exists on this estimate. Government have given strong indications that local authorities will need to manage the impact of this themselves and that no government support will be available, which means this will affect the delivery of other Council services. (see Paragraph 3 and 4 below)

This second monitor of the financial year provides a forecast outturn based on patterns of expenditure and income from the first four months of the year. It is still relatively early in the financial year and there remains some broad assumptions on future demand and therefore the estimate is subject to variation due to this volatility; however, it can be used as a broad indication of the direction of travel.

Although the estimated outturn is adverse, and follows a similarly cautious pattern as in previous years early monitoring reports, it should be noted that there are a number of assumptions and factors which have the potential to positively affect the figure. For instance there are significant contingency items within demand led services with £694k and £750k in Children's and Adults Services, £700k in the corporate budget contingency and in addition assumptions that staffing vacancies will be filled in a timely manner, which may not always be the case.

Detailed below in Table 1 is a summary breakdown of the service and funding variances against budget, with Appendix 2 providing an explanation of the variances.

<b>Table 1: Budget Monitoring results by Service</b>	<b>2022/23 Budget (£000's)</b>	<b>Forecast Outturn (£000's)</b>	<b>Forecast Variance (£000's)</b>	<b>Percentage</b>
Children's Services	44,057	45,655	1,598	3.63%
Adult Services	56,927	56,813	(114)	(0.20)%
Public Health	12,887	12,868	(19)	(0.15)%
Place	30,998	32,872	1,874	6.05%
Strategy & Resources	5,137	4,917	(220)	(4.28)%
Finance & Systems	8,169	8,256	87	1.07%
Governance & Community Strategy	6,310	6,617	307	4.87%
<b>Total Directorate Budgets (*)</b>	<b>164,485</b>	<b>167,998</b>	<b>3,513</b>	<b>2.14%</b>
Council-wide budgets	28,087	25,486	(2,601)	9.26%
<b>Net Service Expenditure variance</b>	<b>192,572</b>	<b>193,484</b>	<b>912</b>	<b>0.47%</b>
<b>Funding</b>				
Business Rates	(68,540)	(68,540)	0	
Council Tax	(112,601)	(112,601)	0	
Reserves Budget Support	(4,334)	(4,334)	0	
Reserves to Support COVID-19	(7,097)	(7,097)	0	
<b>Funding variance</b>	<b>(192,572)</b>	<b>(192,572)</b>	<b>0</b>	<b>0.00%</b>
<b>Net Revenue Outturn variance</b>	<b>0</b>	<b>912</b>	<b>912</b>	<b>0.47%</b>
<b>Dedicated Schools Grant</b>	<b>157,129</b>	<b>157,853</b>	<b>724</b>	<b>0.46%</b>

\* Any change to the revenue budget by Directorate is shown in the details of virements in Appendix 1.

#### **The following issues are worthy of being highlighted at Period 4:-**

- **Children's placements** £350k overspend has reduced by £263k in the period largely due to the service stepping down one of the two previously reported high cost placements.
- **Home to School Transport** pressures have increased in the period by £527k to £980k due to the continued increase in demand in passenger numbers, additional costs for fuel and complexity of cases. These pressures continue from those experienced in the later part of 2021/22. The Business Intelligence unit in conjunction with the Trafford Travel Co-ordination Unit (TTCU) is finalising its task and finish project and the opportunities for changes to mitigate the overspend.
- **Adults placements** continue to be break-even, however assumptions on demand remain uncertain; a contingency balance of £750k has been included for future demand.

- **Adults Hospital Discharge Programme** – COVID related national funding for this budget has been removed and local budgets, managed through a Section 75 Agreement between the Council and the former Trafford CCG, are required to sustain the current operating model. A one-off support fund was established from the 2021/22 outturn whilst the model is reviewed. Current projections are that there are sufficient monies within this fund to cover projected costs in the current year. Recurring budgets are not thought sufficient to support the current level of demand and this remains a key risk for the provision of service in this area for 2023/24 onwards.
- **Strategic Investment Programme** – The Strategic Investment Property Portfolio is expected to deliver a net benefit to the revenue budget in 2022/23 of £5.67m. This is £1.56m lower than budget due to economic factors affecting some of the income particularly from the town centre investments. A positive pipeline of investment opportunities which will secure some significant regeneration benefits now exists and are currently in the due diligence stage. Should these come forward they will provide an opportunity to mitigate this in-year position and provide a net income stream to support future years budgets.
- **Impact of COVID-19** – There continues to be nothing to suggest that the impact of the pandemic is having any adverse pressure on income from Sales, Fees and Charges in this early monitor. ***The balance of the centrally held COVID-19 contingency budget of £1.5m has therefore been released in full as previously reported.***
- Staffing budgets across all service areas are forecast to underspend by £761k, an increase of £532k since last reported. This was an area of significant underspend in 2021/22 largely due to difficulties in recruitment and the management controls introduced in the year. At this stage in the year, assumptions have been made that vacant posts will be filled, however this remains an area for review in managing the overall future budget gap.
- Other net pressures £186k across all service areas; a positive change of £980k since last reported. This includes pressure on delivery of some aspects of the savings programme from 2021/22 of £245k relating to estates and business rate reviews. ***The recent rises in the Bank of England base rate has had a positive impact of the level of investment income generated by the investment of surplus cash balances of £855k.***
- **Schools DSG**
  - The overspend on the schools DSG budget is now £725k, a favourable movement of £845k which is mainly due to additional funding being allocated to the high needs block and an underspend in the growth fund;
  - The high needs block still has significant pressures and work continues to take place on this with a HNB sub-group of the funding forum which is working on a report to summarise options for longer term savings;

- In addition to this work a DSG Deficit Recovery Plan is currently underway and will be finalised by the end of September 2022. This will include the options for longer term savings and also assist in future planning.

### 3. Inflation, Energy and Cost of Living Impact

The Consumer Price Index (CPI) rose by 10.1% in the 12 months to July 2022, which represents a 40 year high. There is particular concern relating to energy prices, contractual inflation from companies in our supply chain and the impact of the 2022/23 local government pay award.

Not only does the escalating level of inflation pose a risk to the in-year position, where solutions need to be found to contain any pressures within existing resources, but also the impact on the Medium Term Financial Plan and increase in the budget gap in future years.

The assumptions on inflation remain fluid and the Council will need to remain flexible in its approach to managing these pressures. Increases in energy contracts are expected to cost £1.128m over budget. The 2022/23 Local Government pay negotiations continue, with a formal request recently being tabled by employee representatives being considered by the trade unions.

Each +1% increase in pay above the 2% assumed in the budget, would require approximately £800k of additional resource. The latest offer by the National Employers of an increase of £1,925 on all NJC pay points would see an average increase of approximately 6% across the payscale.

The proposed size of the pay award will also have an impact on the traded services arm of the Council and will require costs to be passed on to front line services, namely school budgets. Prices have been fixed for the next academic year commencing in September 2022, thus limiting the ability to pass these costs on in the current year. However, it is essential that early discussions start for price adjustments in the following year and also explore the flexibility of in-year amendments should inflation remain volatile.

***At this stage our working assumption on the impact of the various inflation pressures in 2022/23 continues to be that a prudent figure of £6.0m would be needed.***

### 4. Summary of Outturn and Management Action

The adverse service-related outturn of £912k is a cause for concern, however it is comparable with the early period estimates of previous years. There are still significant contingencies within Children's and Adults Services and cautious estimates that staffing vacancies will be filled promptly and it is likely that the outturn pressure will reduce. Furthermore, there are a number of earmarked risk reserves, such as the Strategic Investment Risk Reserve which could be drawn upon, if income levels in this budget deteriorate.

In respect of inflation and the potential pressure of £6m, albeit fluid at this stage, representations have been made to Government with regards the impact in 2022/23 and anticipated ongoing implications, which will add to the budget gap in later years. In addition various measures to mitigate the impact are being

undertaken; these include the launch of an energy saving campaign and pre-purchasing materials to maintain supply and avoid increasing costs.

Pending the outcome of discussions with the Government, as a precaution during the 2021/22 year end close down, the opportunity was taken to create a specific Inflation Risk Reserve to help mitigate against some of the 2022/23 pressures and a balance of £3.0m was transferred from the Budget Resilience Reserve. To alleviate the in-year inflation pressures further, a figure of £1.0m could be released from the central contingency budget of £1.7m, to arrive at a resource of £4.0m, although this would leave no flexibility for other unknown pressures during the year.

Such an application of reserves though would have significant adverse impacts on the resilience within the Council's reserves and contingencies to support the Finance and Change programme in delivering a sustainable budget in future years.

It is essential until the Council is clear on any further Government support, that a cautious approach is maintained in managing the budget. The following management actions and mitigating items will be available during the year.

- A detailed examination of areas of consistent budget underspend will be undertaken. Significant staffing underspends were evident in the 2021/22 final outturn and attention will be focused on whether vacancy factors can be reviewed. The management controls introduced in 2021/22 to approve all vacancies, along with a review of all non-essential spend, will continue for the foreseeable future.
- A number of contingency items are included in the outturn which have yet to be released. These include £694k and £750k in Children's and Adults services respectively for future potential increases in client demand and £700k in the corporate budget contingency.
- A review of all earmarked reserves will be undertaken to challenge and identify potential uncommitted resource. This will be completed in parallel with the the draft budget report for 2023/24.
- As in the previous financial year, in order to maintain robust challenge and focus attention on the delivery of the savings programme, the regular budget monitoring reports will be supplemented by monthly updates on all demand led budgets and the savings programme to be considered by the Corporate Leadership Team.
- As part of the work being undertaken by the Finance and Change Board, investigate whether opportunities exist to accelerate potential future savings proposals.

## **SECTION 2 – COLLECTION FUND**

### **5. Council Tax**

The Council Tax budget was increased in 2022/23 to reflect the return to pre-pandemic levels of activity following a temporary reduction in the budget in the previous two years. It had been expected that improvements would be made in

the likes of new properties coming online, a reduction in claims for Council Tax Support and hardship cases and improvements in cash collection.

Whilst the immediate consequences of the pandemic have been alleviated, they have been replaced by growing uncertainty in the wider economy. Delays in the supply of building material for new properties, increases in inflation and the cost of living pressures will invariably have some impact on the outturn.

As at Period 4, there is a favourable outturn on the Council Tax element of the Collection Fund of £442k, of which the Council's share is £360k. The table below summarises the outturn by theme as at Period 4.

<b>Table 2: Summary of in year Council Tax movements</b>	<b>Council Tax Collection Fund (£000's)</b>	<b>Trafford Share (£000's)</b>
Shortfall in Tax Base	459	374
Local Council Tax Support Scheme	(326)	(265)
Increase in Cash Collection	(675)	(550)
Other Movements (Backdated discounts etc.)	100	81
<b>Total In Year Position (Surplus)/Deficit</b>	<b>(442)</b>	<b>(360)</b>

As at period 4 the following points are worthy of note:

- There is a shortfall in the core Tax Base of £459k. This is due to an increase in the number of discounts (e.g. single person) being claimed over that assumed in budget. The Council continues to review and challenge applications for claims, and these may reduce during the year. There is a further pressure in the core tax base as a result of the delay in new properties coming on-line.
- The number of claims for Council Tax Support is lower than budget by £326k. This is relatively good news given that the budget was also increased to reflect a return to a lower pre-pandemic level of claims. This situation may however deteriorate as there is a potential for an increase in claims for support due to the wider economic downturn and the significant pressures on household finances forecast later in the year.
- Cash collection – in year cash collection is lower than anticipated when compared with pre-pandemic levels, however collection of historic debt is favourable, resulting in a net benefit of £675k.
- Other adverse movements of £100k, related to the award of backdated banding revaluations.

Over recent years and largely due to the pandemic, it has been difficult to forecast Council Tax income and this situation looks set to continue for the foreseeable future. In recognition of this, a Council Tax Risk Reserve of £500k



was established in 2022/23 to smooth out any unforeseen pressures. This reserve would be used as a first call if the estimated outturn should deteriorate.

It is too early in the financial year to consider if there is a recurrent pattern in either a shortfall in the Tax Base or a surplus in the Council Tax Support Scheme, which would need reflecting in the medium term financial plan. However, it is encouraging to see a positive improvement in historic collection rates, which would indicate that some resource could be released from the provision for historic bad debt.

## 6. Business Rates

As with Council Tax, there was an assumption of an increase in rates income as the economy started to return to pre-pandemic levels. Projecting business rates is by its nature complex and prone to variation, and the continuing economic pressures will add further uncertainty to the accuracy of projections. As at period 4 a number of assumptions have been made resulting in a favourable movement compared to budget. Whilst the projected surplus will be used to support future budgets, due to accounting arrangements there will be timing differences which will be smoothed through reserves.

## SECTION 3 – SAVINGS AND INCOME PROGRAMME

### 7. MTFP Savings and Increased Income

The 2022/23 budget is based on the achievement of permanent base budget savings and increased income of £5.32m. As in previous years, it is critical that the current savings programme is achieved in full in order to avoid recurrent shortfalls cascading into future years and increasing the budget gap.

A detailed review of the status of each saving has been undertaken and a classification has been made using a “traffic light” system to highlight schemes at risk of not being achieved. Whilst some savings will be achieved through one-off alternative means/mitigating actions in the current year, a status has also been included on the risk of non-delivery falling into 2023/24.

Details of the savings ‘in exception’ of £1.160m are shown in Appendix 3 and a summary is as follows:

<b>Table 3: Category</b>	<b>Number of Schemes</b>	<b>% of Schemes</b>	<b>Savings Budget (£000's)</b>	<b>Projected Outturn (£000's)</b>	<b>Net Variance (£000's)</b>
Red	2	9%	(1,140)	0	1,140
Amber	10	43%	(1,579)	(2,872)	20
Green	11	48%	(2,603)	(1,290)	0
<b>Total</b>	<b>23</b>	<b>100%</b>	<b>(5,322)</b>	<b>(4,162)</b>	<b>1,160</b>

The latest forecast shows that the programme is currently expected to deliver savings of £4.16m, which is £1.16m below target. 12 schemes are classified as either Red or Amber status, of which the largest shortfall of £1.04m is from the Investment Strategy programme.

## **SECTION 4 – EARMARKED RESERVES**

### **8. Reserves**

The balance (unaudited) brought forward as at 1 April 2022 of usable reserves was £69.1m, excluding COVID, schools and capital reserves. Details of the reserve balances and movements in year were last reported in the recent Period 12 outturn report for 2021/22 and there is no further update to report at this stage.

A full analysis of all reserve movements will be reported at period 6 in preparation for the draft budget report.

## **SECTION 5 – CAPITAL PROGRAMME AND ASSET INVESTMENT STRATEGY**

### **9. Approved Budget**

The overall value of the indicative capital programme for 2022/23 to 2024/25 capital programme was restated in the P2 monitor to £217.59m which was an increase of £30.36m from the approved budget of £187.23m from February 2022. Details of the increase were included in the P2 monitor.

Since the P2 monitor the Council has been notified of additional resources of £4.5m for Key Route Network works and £230k for Bus Stop Accessibility Programme, taking the revised three-year capital programme to £222.32m.

The programme for 2022/23 currently stands at £58.22m following a review of all schemes by the Capital Programme Group, taking account of rephasing of schemes from 2021/22 and an assessment of the deliverability of projects considering such factors as:

- Impact of current levels of inflation which may impact on the ability to deliver programmes in-line with originally developed schemes.
- Review of spend re-profiled from 2021/22 to ensure that this can be realistically delivered in-year.
- Changes in the level of forecast capital receipts - funding of the capital programme is impacted by the availability of both the amounts and the phasing of expected receipts and development returns.

After the review of the programme detailed above, the revised capital programme budget for this financial year is £58.22m which is a net reduction of £21.34m compared to the original budget approved in February. Key movements include:-

- Children's Services
  - Capital Maintenance schemes – (£1.49m) – A small number of schemes where work is still being carried out to develop the final specifications have been re-profiled to the next financial year when it is anticipated that these works will be undertaken. In addition to this there is a small amount of uncommitted resources that are being held to mitigate potential cost pressures across the Capital Maintenance programme of works;
  - Basic Need - Willows Primary School – (£413k) – This scheme is expected to start on site in September with completion expected early in 2023/24;
  - Basic Need - Moorlands Junior School – (£393k) – As above the scheme is expected to start on site in September with completion expected early in 2023/24;
  - Basic Need - Templemoor Infant School – (£1.0m). Work on this scheme is now expected to commence early in 2023 with anticipated completion the scheme in the summer of 2023;
  - Basic Need - Davyhulme Primary School (£2.04m) – As above work on this scheme is now expected to commence early in 2023 with anticipated completion the scheme in the summer of 2023;
  - Basic Need – Unallocated (£350k) – This resource has yet to be allocated and currently being held to alleviate any cost pressures within the programme.
  - Children's Other – (£254k)
  
- Adult Social Care
  - Disabled Facilities Grant – (£1.57m) of works has been impacted due to Covid-19 and the associated difficulties in gaining access to client's properties. As a result there has been reprofiling of resources from previous years. Work is being undertaken utilising additional resources to clear the backlog of works and deliver works in line with available resources in future years.
  
- Place
  - Town Centre and Business Loan Schemes – (£400k) - There has been less than anticipated uptake on this scheme, work is being undertaken to redevelop the scheme to meet the requirements of local businesses.
  - Public realm works for Altrincham – £477k - Work is expected to commence on the scheme in October with significant element likely to be completed before the end of the financial year, an element of resources previously re-profiled to next year have been utilised to fund this year's work, with the remaining element to fund the completion of works in 2023/24.

- Carrington Relief Road/Rationalisation works - £729k of Homes England Funding previously forecast to be spent in the next financial year are now being utilised this year to facilitate the start of the rationalisation works that need to commence in September.
- Leisure Strategy – (£3.1m) - There has been a reprofiling of forecast spend in line with revised timetable, with works at Altrincham Leisure Centre, expected to commence early in 2023, along with design work for Sale and Stretford Leisure Centres.
- Public Building Repairs/Smarter Working – (£1.1m) – A review of works currently approved is underway as part of the wider council building strategy. In particular around areas where green and energy efficient schemes could be used as part of the solution to assist in the council green ambitions and to reduce utility costs.
- Football Facility Provision - (£1.8m) – Applications for schemes at Broadoak School and Crossford Bridge will be submitted in January 2023 with a decision in February 2023 which if successful will lead to works starting not long after.
- Longford Stadium Resurface – (£484k) – this scheme relies on an element of match funding from the service user and which is still subject to confirmation. Once matched funding is identified the full development of the scheme will take place
- Electric Vehicle Charging Points – (£497k) Work is being undertaken with the GM approved partner for phased roll outs with the financial model to facilitate delivery also being reviewed to balance the risk and return on the investment required. This may increase investment beyond that in Council's approved programme accordingly.
- Mayors Cycling & Walking Challenge Fund – (£1.0m). Although there has been an element of re-profiling design work has been completed for a number of phases with works on these expected to commence in the Autumn.
- Traffic and Transportation – (£800k) – Design work is underway on the majority of schemes within the programme, with resources that are being utilised to deliver other elements of the programme leading to slight delays
- Highways and Structural Maintenance incl. Bridge Assessments – (£3.1m) – Due to the award of KRN funding resources have been re-prioritised to deliver the works to ensure that timescales of the award are met.
- Highways Infrastructure Safety Improvements – (£508k) – Work is underway on planning the delivery of scheme but there are delays in key stakeholder discussions.
- New Chapel and Resomation Cremators – (£1.3m) - This scheme has been delayed due to issues with utilities infrastructure, currently the scheme is under review with alternative sites being explored.

- Place Other – (£817k) – There are a small number of schemes where resources have been re-profiled.
- Finance and Systems
  - ICT programme of works – (£1.56m) – Work has commenced on the recently approved replacement of the Council's CRM systems and resources are being prioritised to deliver this due to contractual risks of any significant delays. Additional capacity will be available imminently to deliver other elements within the approved programme, with remaining resources being re-profiled to next year for delivery.

### **Status, Progress of Specific Major Schemes**

Updates will be provided on specific issues where there is a significant impact on delivery of the forecast programme in terms of timescales or within approved resources. In addition updates on larger schemes will be provided throughout the year.

### **Specific Issues**

- Highways Structure and Maintenance

At Executive on the 25<sup>th</sup> June 2022 the programme of works associated with the recently awarded Key Road Network of £4.5m was approved from DFT through a TfGM bid process. As a result of this additional funding, resources will need to be reprioritised to ensure delivery of the schemes is completed in the timescales linked to this funding with the majority of this work being completed by the end of March 2023. This reprioritisation of resources will have an impact on the ability to deliver the original approved programme of works for 2022/23. This has been done to maximise additional funding sources available with an element of the original works being re-profiled to next year. The original approved Highways Structures and Maintenance programme for 2022/23 was £9.6m with the revised programme now being £11.5m including £3.5m of Key Route Network works, £230k of Bus Stop Accessibility Programme and some reprofiling to future years of the original programme giving a net increase of £1.9m for the total programme.

### **General Update**

- Leisure Strategy

At Executive on 25<sup>th</sup> June 2022 approval was granted for Altrincham Leisure Centre to move to the next RIBA stage (4) which includes final clarifications for cost and scope, developing the designs for a planning application and then a move into the construction phase of the redevelopment. This will include a further review of the business case and all associated risks. To accommodate the redevelopment there will be a temporary full closure of Altrincham Leisure Centre to allow refurbishment work to take place. Closure will take place over Christmas 2022 to prepare

for works being carried in January 2023. A full refurbishment of Altrincham Leisure Centre is estimated to take up to 18 months. For Stretford Leisure Centre, based on RIBA stage 2 information, a fully updated business case including an updated facility mix and business plan is to be reported to Executive in December 2022. Following approval from Executive in March 22, an initial public consultation for Sale Leisure Centre has now been completed. The results of the consultation will be presented back to the December 2022 Executive.

- Future High Streets Fund

Trafford were awarded £17.6m by the Ministry of Housing, Communities and Local Government (MHCLG) in 2020 to assist in the delivery of works around the Stretford Town Centre that contribute to the overall Stretford Masterplan. In addition to this funding, Section 106 contributions of £1.5m and potential contributions of £3.56m from Trafford Bruntwood LLP this gives a total work package of £22.66m. The original bid include 6 main elements to the scheme as follows:

- Reconfiguration of Chester Road Entrance to Stretford Mall to form new linkage to the car park and service yard.
- Works to allow the formation of a new ground floor linkage through Stretford Mall to enable the creation of an extended 'High Street' along King Street.
- Reconfiguration of the Barton Road / Kingsway traffic lighted junction and associated highway and landscaping works to enable the site for mixed use.
- Reconfiguration of the highway and re-landscaping of Kingsway between Barton Road and Chester Road junctions to enable better pedestrian access to key town centre assets.
- Pedestrian/cyclist upgrade measures to Chester Road Junction.
- Preparation of land between Chester Road junction and Bridgewater Canal to unlock Lacy Street for development

The first two elements of the work are being undertaken directly by Trafford Bruntwood LLP with initial design works well underway with an anticipated start date on site of January 2023. For the other elements Trafford Council are the lead with initial design work progressing so they can commence in the next financial year. Further updates will be provided in the Capital Programme monitoring throughout the year.

### **Inflationary Pressures**

The longer-term impact of the Covid-19 pandemic and other recent world events have the potential to impact on the ability to deliver the entirety of the Council's approved three-year Capital Programme. The key potential risks relate to pressure on costs and availability of resources for both materials and labour. These can impact on the ability for the programme to be delivered

within the planned resources and timeframes, and as such the programme may need to be amended.

Market evidence suggests that since the start of the pandemic construction materials costs have increased by over 40%, and although there is recent evidence that these costs are now settling, the situation is still volatile. Although raw materials costs are now currently falling these are being offset by increased energy and transport costs which are expected to keep rising in the short term.

General construction material availability is also improving but there are still a number of products that remain on a long lead-in time including bricks, roof tiles and semi-conductors. Some of these delays can be mitigated through early engagement with the supply chain and through advanced ordering. An example of this is for street lighting columns for which there is a long-term programme of works approved and it has been possible to purchase supplies now to support the future delivery of the programme.

A review of two key areas of the programme (Highways and Schools) is currently demonstrating a mixed picture, as follows:

- Revised costs for two major Basic Needs schemes at Moorlands Junior School and Willow Primary School are showing cost increases of between 30% and 40%, potentially increasing costs by £1.8m. In order to mitigate this, work is underway to value engineer the schemes, utilise scheme contingencies as greater cost certainty is attained, and reduce the programme length to reduce preliminary costs. There is currently an unallocated basic need allocation of circa £8m which is earmarked to deliver additional secondary school places in future years. Pupil projections are produced annually for the statutory School Capacity (SCAP) survey and given the significant changes between 2021 and 2022, a review is being undertaken to confirm requirements which may free up resource to assist with known pressures identified. It is to be noted that with the future uncertainty, all planned future places from identified projects may not be deliverable from existing resources. A report will be provided to the Executive to provide an update in the autumn and seek any approvals needed. There are similar pressures being identified within the Schools Capital Maintenance programme of works but these are on a smaller scale and with some unallocated resources already earmarked to mitigate potential cost pressures it is anticipated that these can be managed within the current approved programme.
- The current Highways programme is not currently demonstrating the same cost increases as above. This is down to a number of factors including that the original costings were undertaken more recently so a significant element of cost pressure will have already been accounted for in the programme. These recent costings will also have allowed for contingencies to enable increases to be absorbed accordingly to an extent. An example of this is the Surface Dressing and Treatment programme which is currently still forecast to be delivered on time and within original budget.

- There is however a continued risk that the ongoing energy cost increases will have an impact later within this financial year. This will potentially result in a small number of schemes needing to be funded from next year's currently unallocated resources. Ultimately this is going to result in less schemes being delivered as part of the overall three-year programme and the potential for assets deteriorating to a level where increased levels of maintenance is required from the revenue budget to maintain safety and compliance with the highways policies.

Inflation pressures are also having an impact on the potential financial returns from self-development schemes that the Council are looking to undertake in the future to support the funding of the Capital programme. Work is being undertaken to value engineer schemes, to package works together to achieve greater economy of scale and access additional funding to support schemes through streams such as Brownfield funding. If levels of receipts are not achieved as expected this will have an impact on the level of overprogramming within the capital programme and will need to be addressed by a reduction in the current approved programme or through additional borrowing which will come with an additional revenue cost.

Recent interest rises announced by the Bank of England are having an impact on assumed borrowing costs to support the capital programme with an associated impact on revenue budgets. Since the budget was approved in February 2022 the cost of borrowing through PWLB has increased by about 1.2%. It is currently anticipated that the current year's capital programme requires £8.74m of borrowing which could lead to an increase in revenue costs of £105k per annum. This will be managed within the overall treasury management portfolio and internal cash balances will be used on a temporary basis with any borrowing taken up when interest rates are expected to normalise.

## Resources

The general capital programme is resourced by a combination of both internal and external funding and is detailed in the table below:

<b>Table 4 - Capital Programme Resources 2022-23</b>	<b>Revised Programme £m</b>
<b>External:</b>	
Grants	39.06
Contributions	2.98
<b>Sub-total</b>	<b>41.68</b>
<b>Internal:</b>	
Receipts requirement	5.02
Borrowing	8.74
Reserves & revenue contributions	2.42
<b>Sub-total</b>	<b>16.18</b>
<b>Total Resourcing</b>	<b>58.22</b>



The Land Sales and Development Programme is continuously reviewed. The current position indicates an over-programmed level within the capital programme of £3.38m which is still in line with the original three-year budget that was approved in February 2022. The programme is currently being reviewed with a small number of additional receipts identified which have been used to offset receipts that are not now expected to realise previously anticipated levels.

The table below highlights the overall level of over-programming and the in-year surplus and deficits which will need to be managed over the three-year period of the programme.

<b>Table 5 - Capital Programme Resources 2022/25</b>	Budget 2022/23 £m	Budget 2023/24 £m	Budget 2024/25 £m	Budget Total £m
<b>General Programme Investment</b>	<b>58.22</b>	<b>120.08</b>	<b>44.02</b>	<b>222.32</b>
Grants	39.06	76.53	9.84	125.43
External Contributions	2.98	4.80	-	7.78
Revenue and reserves	2.42	1.18	0.01	3.61
Prudential Borrowing	8.74	29.73	27.68	68.11
Shortfall in 22/23 Receipts	-	-	-	-
Forecast Capital Receipts	2.25	5.43	8.29	15.97
<b>Total Funding</b>	<b>55.92</b>	<b>122.43</b>	<b>40.59</b>	<b>218.94</b>
<b>Surplus / (Deficit)</b>	<b>(2.77)</b>	<b>(2.41)</b>	<b>1.80</b>	<b>(3.38)</b>

There are a number of options that will be considered in order to address the forecast deficit for the current year of £2.77m and the overall level of over-programming of £3.38m. The options are as follows:

- a. Re-phasing of capital schemes that are funded from receipts will assist in reducing the short-term deficit. Work has already been undertaken with services to identify some schemes that can and have now been delayed mainly until the next financial year, although this effectively delays the funding issue until later financial years.
- b. Deletion of schemes currently funded from receipts would assist with short term pressures and reduce the level of over programming within the programme. Historic schemes where work has not yet commenced will be reviewed as part of the new round of bidding to identify if all these schemes are still required and still align with council priorities.

This will also include a wider review of the programme to identify any potential schemes that are no longer required.

- c. Identify additional opportunities for land sales and development returns that are currently not assumed within the anticipated levels of receipts. Work is continually ongoing to identify any sites that are no longer required that could be either sold or developed in addition other development opportunities across the borough
- d. Short-term borrowing as detailed in the February 2022 capital strategy could be used to fund the deficit in capital programme for the next two years until receipts are realised and then used to repay the borrowing. This would have an additional revenue costs and is therefore not an option given the overall position on the Council's revenue budget. This also carries a risk that if receipts are not realised within predicted time scales, or at all, the borrowing will then need to be paid for on a longer or more permanent basis for which there are no resources currently identified.

### **Asset Investment Fund**

Asset Investment Fund currently stands at a maximum approved limit of £500m, supported by prudential borrowing, to support the Council's Investment Strategy. The transactions that have been agreed by the Investment Management Board (IMB) to date have a total current committed cost of £360.28m, of which £228.90m has currently been expended.

The balance of the approved £500m which is available for further investment is £139.72 (Table 6 below)

<b>Table 6: Asset Investment Fund</b>	<b>Prior Years Spend</b> £m	<b>Repayments</b> £m	<b>Actual Spend 2022/23</b> £m	<b>Commitment</b> £m	<b>Total</b> £m
<b>Total Investment Fund</b>					<b>500.00</b>
<b>Property Purchase:</b>					
Sonova House, Warrington	12.17	-		-	12.17
DSG, Preston	17.39	-		-	17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	10.84	-		-	10.84
The Fort, Wigan	13.93	-		-	13.93
Sainsbury's, Altrincham	25.59	-		-	25.59
<b>Sub Total</b>	<b>79.92</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79.92</b>
<b>Property Development:</b>					
Sale Magistrates Court	5.32	-	0.08	0.65	6.05
Brown Street, Hale	9.01	(2.68)	0.11	-	6.44
Former sorting office, Lacy Street, Stretford	0.90	-	-	-	0.90
GMP Site, Chester Road, Old Trafford	-	-	-	0.64	0.64
Care Home Purchase & Remediation	2.31	-	0.07	0.53	2.91
Tamworth	0.13	-	-	0.26	0.39
Various Development Sites	0.33	-	0.03	-	0.36
<b>Sub Total</b>	<b>18.00</b>	<b>(2.68)</b>	<b>0.29</b>	<b>2.08</b>	<b>17.69</b>
<b>Equity:</b>					
Stretford Mall, Equity	8.82	-	-	-	8.82
Stamford Quarter, Equity	16.97	-	0.52	7.20	24.69
K Site, Stretford Equity	11.21	-	-	1.18	12.39
<b>Sub Total</b>	<b>37.00</b>	<b>-</b>	<b>0.52</b>	<b>8.38</b>	<b>45.90</b>
<b>Development Debt:</b>					
Bruntwood; K site	11.11	-	-	1.28	12.39
Bruntwood; Stamford Qtr/Stretford Mall	25.82	-	0.52	7.23	33.57

CIS Building, Manchester	60.00	(25.80)		-	34.20
The Hut Group	62.45	(62.45)		67.50	67.50
Castle Irwell, Salford	18.70	(19.25)	0.85	18.70	19.00
Castle Irwell, Salford – Phase 2	3.74	-	5.30	2.96	12.00
Broadheath, Altrincham – Loan for Industrial Development				21.50	21.50
Hale Library	1.29	-	1.56	1.75	4.60
<b>Sub Total</b>	<b>183.11</b>	<b>(107.50)</b>	<b>8.23</b>	<b>120.92</b>	<b>204.76</b>
<b>Total Capital Investment</b>	<b>318.03</b>	<b>(110.18)</b>	<b>9.04</b>	<b>131.38</b>	<b>348.27</b>
Albert Estate Investment	17.62	(5.61)		-	12.01
<b>Total Investment</b>	<b>335.65</b>	<b>(115.79)</b>	<b>9.04</b>	<b>131.38</b>	<b>360.28</b>
<b>Balance available</b>					<b>139.72</b>

These investments are forecast to generate a net benefit to the revenue budget in 2022/23 of £5.67m, a deficit of £1.56m compared to the budget net target. Key variances include:-

- The 2022/23 budget assumed additional net income of £3.4m from schemes that were yet to be committed to. This figure represented the recycling of funds from schemes that have matured and been repaid, such as the Crescent. Four new debt investments have been identified and progressed sufficiently for an indicative return of £0.58m in 2022/23 to be included in the projections. Three of these new schemes will require further due diligence and approval from IMB before they are entered into by the Council. Work will continue in order to identify further investments which will provide a revenue return as part of the Asset Investment Strategy’s recycling target.
- The IMB have agreed to a 6 month extension to the debt facility at the CIS Tower, at a lower balance of £34.2m. This extension, in addition to the four months up to the end of July that had already been agreed, will provide a net revenue return of £1.41m in 2022/23.
- The forecast net returns from the Council’s debt investment in the Albert Estate have reduced, by £0.21m due to a partial repayment of the loan from £17.62m to £12.01m.
- The Hut Group have informed the Council of their intention to delay the start of work on their new office accommodation. This has postponed the drawdown of the agreed facility until autumn 2022, which has caused a pressure in 2022/23 of £0.68m.
- A shortfall in returns from the Council’s three joint ventures with Bruntwood of £0.85m, required to cover the Council’s borrowing costs on the acquisition of the town centre assets in Stretford and Altrincham. This shortfall is a result of reduced trading income as the sites recover from the impact of Covid-19 on the retail sector and prepare for regeneration schemes on both sites. This shortfall will be met from a draw from reserves in 2022/23, with the reserve balance replenished when the sites return to surplus.
- Higher returns to the value of £0.09m on debt facilities which are linked to variable interest rates, offset by additional costs of £0.07m from the increased cost of financing.
- The Risk Reserve level at the start of the year was £6.31m. This level of reserve is currently considered to be sufficient in relation to the immediate risks that the portfolio is exposed to. The Council will, therefore, make reduced contributions in 2022/23, and £0.78m will instead be used as part of the mitigation of the forecasted income pressures.

<b>Risk Reserve B/F</b>	<b>£6.31m</b>
<b>In year contribution</b>	<b>(£0.85)</b>
<b>Risk Reserve C/F</b>	<b>£5.46m</b>

**Issues / Risks**

A key risk is the ability to deliver the revised capital programme in 2022/23, and this will continue to be closely monitored and reported throughout the year and as any significant issues may arise.

In addition, there is the risk that the level of Capital receipts that will be realised in the year and in future will be insufficient to fund the relevant schemes in the capital programme. A prudent approach to estimating these asset receipts and development returns will continue to be taken with only receipts that have a significant level of certainty being included in the resource forecasts.

**Recommendations**

10. It is recommended that that the Executive:

- note the updated positions on the revenue budget, collection fund and capital programme.

**Other Options**

No Applicable.

**Consultation**

Not Applicable

**Reasons for Recommendation**

Not applicable

Finance Officer Clearance .....NR.....

Legal Officer Clearance .....DS.....



DIRECTOR'S SIGNATURE .....

Appendix 1

Service Review/Virements	Children's (£000's)	Adults (£000's)	Place (£000's)	Strategy & Resources (£000's)	Finance & Systems (£000's)	Governance & Community Strategy (£000's)	Council -wide (£000's)	Total (£000's)
<b>Period 2 Outturn Report</b>	<b>44,100</b>	<b>69,814</b>	<b>30,998</b>	<b>5,094</b>	<b>8,169</b>	<b>6,306</b>	<b>28,091</b>	<b>192,572</b>
<b>Virements:</b>								
Performance Training Officer	(43)			43				0
Minor budget re-alignments						4	(4)	0
<b>Total movements</b>	<b>(43)</b>	<b>0</b>	<b>0</b>	<b>43</b>	<b>0</b>	<b>4</b>	<b>(4)</b>	<b>0</b>
<b>Period 4 Outturn Report</b>	<b>44,057</b>	<b>69,814</b>	<b>30,998</b>	<b>5,137</b>	<b>8,169</b>	<b>6,310</b>	<b>28,087</b>	<b>192,572</b>

## Appendix 2

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

The main variances contributing to the projected overspend of £912k, any changes to budget assumptions and associated key risks are highlighted below:

Table : Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	1,598	<p><b>Projected outturn variance £1.598m adverse, adverse movement of £215k.</b></p> <p>Below is the projected position on children's placements and other budget areas.</p> <ul style="list-style-type: none"> <li>• £350k over budget on Children's placements, favourable movement of £263k (note 1);</li> <li>• £269k under budget on staffing, favourable movement of £210k (note 2);</li> <li>• £980k over budget on home to school transport, adverse movement of £527k (note 3).</li> <li>• £537k over budget on other running costs and income across the service, adverse movement of £161k (note 4);</li> </ul> <p><b>Note 1</b></p> <p>Children's placements currently projects an overspend of £350k, favourable movement of £263k.</p> <p>At the time of setting the budget for 22/23 and based on placements in December 2021 the service had a contingency of £1m for additional demand with savings of £758k to achieve (original savings were £1.358m less full year effect of those achieved in 21/22 of £600k).</p> <p>In reviewing this position based on the placements as at the 1st April 2022 this contingency had reduced to a negative position of £294k. This was mainly due to 2 additional placements made during February/March 2022 with an annual cost of £1.346m. This had a significant impact on the children's placements position for 22/23. As at period 4 this has reduced by £267k as the service has stepped down one of the placements. In addition to this the latest projection also anticipates savings of £563k to be achieved from the second placement.</p> <p>Within the overall position there is also another £397k of planned reductions still to take place, a favourable movement of £251k from period 2.</p> <p>Contingency of £349k was utilised between Period 2 and 4 and although not sufficient to cover the overall net increase in new</p>



	<p>placement costs of £497k, this has been offset by a combination of additional savings and a review by the service on health contributions made towards placements. There is still a contingency of £694k included in the above projections to cover any further demand, cost increases and potential timeline changes to the anticipated planned reductions mentioned above.</p> <p>The savings of £1.358m included in the budget has been achieved through a combination of work undertaken during 21/22 and its full year impact, planned and additional reductions for 22/23 and a review of funding received from health towards placements. However there are still further planned reductions to take place and continuous scrutiny in this area will be applied. Projections on these may be subject to change.</p> <p>The numbers of children as at the end of July 2022 compared to those at the end of May 2022 are as follows:-</p> <ul style="list-style-type: none"> <li>• children in care 342, a reduction of 16</li> <li>• child protection 216, an increase of 19</li> <li>• children in need 786, an increase of 18</li> </ul> <p>Although children in care numbers are reducing it is important to note that overall costs for placements may not fall at the same level as the types of placements that are stepped down and those that are new will vary as will the costs. For example the current average cost for internal fostering is £22k per year and for a residential placement it is £310k.</p> <p><b><u>Note 2</u></b></p> <p>The favourable variance in staffing of £269k, favourable movement of £210k is due to delays and difficulties in recruiting. These are one-off in nature as the service continues with its service redesign and recruitment drive during 2022/23.</p> <p>The staffing savings included in the budget of £110k are expected to be achieved this year either through permanent reductions or due to the delays in recruiting as mentioned above. However, this will be reviewed throughout the year as to their permanency as the service redesign continues.</p> <p><b><u>Note 3</u></b></p> <p>The projected overspend in Home to School Transport of £980k, an adverse movement of £527k is due to:</p> <ul style="list-style-type: none"> <li>• the service continues to see an increase in demand with further applications being received;</li> </ul>
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		<ul style="list-style-type: none"> <li>• an increase in the complexity of cases, of which a number require transport to out of borough settings;</li> <li>• the price increases on contracts being incurred due to the increase in fuel costs;</li> </ul> <p>The task and finish project being undertaken by the Business Intelligence Unit to look at opportunities for change to mitigate the overspend has produced its findings. This is currently being reviewed by the service to identify the actions that can be taken forward.</p> <p><b>Note 4</b></p> <p>The adverse variance in running costs and income across the service is £537k, an adverse movement of £161k as outlined below:</p> <ul style="list-style-type: none"> <li>• £61k adverse variance on Partington nursery, favourable variance of £24k. The overall variance is due to a shortfall in income.</li> <li>• £383k adverse variance in running costs, adverse movement of £188k. The variance is due to: - <ul style="list-style-type: none"> <li>○ one off costs to support a young person in hospital £190k adverse, no movement,</li> <li>○ S17 costs £218k adverse, adverse movement of £218k. S17 payments are made where, for children in need, the authority identifies the needs for these children and ensures that the family are given the appropriate support in enabling them to safeguard and promote the child’s welfare. As with placements the type of need required by each family can vary depending on the complexities. A review of all S17 payments is currently taking place to assess likely future years requirements.</li> <li>○ Other costs £25k favourable, favourable movement of £30k</li> </ul> </li> <li>• £93k adverse variance on minor variances across the service, no movement.</li> </ul>
Adult Services	(114)	<p><b>Projected variance £114k favourable a favourable movement of £85k from P2.</b></p> <p>The impact of COVID-19 continues to have a significant bearing on the service in terms of demand, its service delivery and finances, This is expected to continue throughout this financial year.</p> <p>The areas of favourable variance and pressures are outlined below:</p> <ul style="list-style-type: none"> <li>• Nil variance on Adult clients (Note 1), no movement;</li> <li>• £114k favourable position on staffing and running costs a favourable movement of £85k. (Note 2).</li> </ul>

**Note 1**

Adult Clients is projecting a nil variance as at period 4.

This budget remains high in complexity and volatility as a result of COVID-19 due to the following:-

- assessing the impact on clients of previous infection and long covid;
- assessing the long-term impact on clients unable to access services during this period;
- supporting the NHS with rapid discharges from hospitals as they deal with the backlog of patients waiting treatments;
- potential impact of new infections;
- increased mental health support.

**Packages of Care** – The P4 position is projecting a £31k favourable variance, a favourable movement of £31k from P2. Within the forecast is a contingency of £750k to mitigate new demand and increases to existing client costs that may present throughout the financial year.

**Discharge to Assess** – Between April 2020 and March 2022 national funding was available in the form of the hospital discharge fund. However, from April 2022 this funding is no longer available and local plans are required to sustain the current operating model.

To meet this the Council and Trafford CCG, now known as NHS Greater Manchester Integrated Care (Trafford Locality), established a joint one-off fund to support hospital discharges during 22/23 to enable the model to be reviewed as recurring budgets held by both organisations are not sufficient.

The Council's recurring discharge to assess budget for beds is £1.5m and any costs in excess of this will be met from the joint fund. Current projections are that there are sufficient funds to cover these projected excess costs.

**Savings** – The savings target for 22/23 is £219k and £13k savings have been achieved to date. The forecast assumes that the target will be under achieved by £31k an adverse movement of £31k from P2. This is due to a delay in the implementation of savings proposals. Regular scrutiny will be applied in this area and updates will be provided through the financial year.

**Note 2**

The forecast projected outturn position for staffing and running costs is a favourable variance of £114k a favourable movement of £85k from P2 as outlined below:-

		<ul style="list-style-type: none"> <li>• Nil variance on staffing a favourable movement of £77k.</li> <li>• £114k favourable variance on client equipment due to lower than anticipated activity, a favourable movement of £8k from P2.</li> <li>• The savings target on Liberty Protection Safeguards of £100k is currently forecast to be achieved. However, this is dependent on the date of implementation which is set by central government.</li> </ul>
Public Health	(19)	<p><b>Projected Outturn variance £19k favourable an adverse movement of £13k from P2.</b></p> <p>This favourable position is due to a reduction in contract costs of £38k being offset with adverse minor variations of £19k.</p>
Place	1,874	<p><b>Total projected outturn variance £1.874m adverse, an adverse movement of £232k.</b></p> <p><b>Place Revenue Budget £317k adverse, an adverse movement of £107k:</b></p> <ul style="list-style-type: none"> <li>• Pressures include £157k relating to property costs (increased by £12k), including ongoing security costs at Trafford Town Hall, residual utility bills for properties disposed of in 2021, and one-off costs associated with the PFI review of Sale Waterside.</li> <li>• There are also estates savings of £195k, and an additional £50k from business rate reviews, which are in the process of being finalised but not expected to be fully achieved in the current year.</li> <li>• There is a projected shortfall in building control income of £72k (increased by £12k), which is offset by a related underspend in staffing from vacancies. Projected parking income is also £55k below budgeted target (£2k increase) due to later implementation of fee changes approved by Council in February 2022 and ongoing effects of COVID-19 on demand compared to pre-pandemic.</li> <li>• Additional income above budget includes Altair £120k and other rents £3k. Projected other rents have reduced by £92k which includes revised assumptions relating to Altrincham Market £80k and Stretford Mall £12k.</li> <li>• Other net minor movements across all services are £25k adverse (increase of £21k);</li> <li>• There is an estimated overall staffing underspend of £190k relating to vacancies forecast across the year (excluding the ringfenced Planning account) (increase of £56k), which is</li> </ul>

		<p>approximately 2.5% of the staffing budget. This is offset by a Directorate-wide efficiency saving of £69k;</p> <ul style="list-style-type: none"> <li>• The Planning service is a ringfenced account and is projecting a shortfall in income of £287k (increased by £116k) which is offset by an underspend of £275k in staffing, running costs and reserve contributions (increased by £92k). This is a net overspend of £12k for the year (£24k net adverse movement).</li> </ul> <p><b>Strategic Investment Programme £1.557m adverse, an adverse movement of £125k:</b></p> <p>The Strategic Investment Property Portfolio is expected to deliver a net benefit to the revenue budget in 2022/23 of £5.674m. This is £1.557m lower than budgeted due to economic factors affecting some of the income particularly from the town centre investments (£125k adverse movement).</p>
Strategy & Resources	(220)	<p><b>Projected outturn variance £220k favourable, a favourable movement of £234k.</b></p> <ul style="list-style-type: none"> <li>• Staff costs are estimated to be £186k less than budget across the Directorate based on actual and forecast vacancies across the whole year, which is 2% of the total staffing budget and £152k higher than last reported;</li> <li>• Running costs are forecast to be £101k underspent, a favourable movement of £40k mainly related to Bereavement Services;</li> <li>• Other Income is projected to be £159k above budget. This includes £103k from the traded Music Service, £24k from Catering and Cleaning, £39k from Bereavement Services and £44k from staff parking, offset by a £33k shortfall in income from libraries and other income £18k. The projection is £42k higher than last reported and includes for the Music Service £103k offset by a reduction of £59k in Bereavement Services (offset by reduced running costs above).</li> </ul> <p>These are offset by the budgeted Directorate-wide efficiency saving target of £226k, which is expected to be achieved in full.</p>

Finance & Systems	87	<p><b>Projected outturn variance £87k adverse, a favourable movement of £77k.</b></p> <ul style="list-style-type: none"> <li>• Staff costs are estimated to be £192k less than budget across the Directorate based on actual and forecast vacancies for the whole year, which is 2.2% of the total staffing budget and £89k higher than last reported;</li> <li>• Running costs are forecast to be overspent by £17k (increase of £3k);</li> <li>• Income is projected to be £76k below budget (adverse movement of £9k), which relates to reduced ICT trading income from schools.</li> </ul> <p>These are offset by the budgeted Directorate-wide efficiency saving target of £186k.</p>
Governance & Community Strategy	307	<p><b>Projected outturn variance £307k adverse, an adverse movement of £6k.</b></p> <ul style="list-style-type: none"> <li>• Staff costs are estimated to be £76k above budget and includes for agency costs covering vacancies and service demand. This has increased by £52k since last reported as a number of interim arrangements will need to be further extended due to difficulties in filling vacancies;</li> <li>• Running costs are projected to be overspent by £66k (reduced by £26k) and mainly relates to legal fees associated with workload demand;</li> <li>• There is a projected shortfall in income of £75k compared to budget (favourable movement of £18k). This overall shortfall includes £25k in capital fee income which is related to staff vacancies, £62k shortfall in traded services and £43k reduced grant income in electoral registration service. Registrars' income is forecast to be £45k above budget (favourable increase of £20k) and land charges £10k.</li> </ul> <p>The above is offset by the budgeted Directorate-wide efficiency saving target of £90k.</p>

Council-wide	(2,601)	<p><b>Projected Outturn variance, £2.601m favourable, a favourable movement of £1.201m since Period 2</b></p> <p><b>Treasury Management</b></p> <p>The average interest rate at the time of setting the budget was expected to generate income of £433k. Successive increases in the Bank of England base rate has seen a subsequent increase in the average investment rate, which is currently expected to generate additional investment interest of £855k.</p> <p>Other net adverse variances against budget of £65k.</p> <p><b>Housing Benefit</b></p> <p>The Housing Benefit budget is notoriously difficult to predict. At period 4 a saving on the net Housing Benefit budget (payments made, less subsidy and overpayment recovery) of £257k is estimated, although there is a wide margin for error given the unknowns and this figure could change throughout the year. A reserve of £500k is set aside should this budget enter an overspend position.</p> <p><b>COVID-19 Contingency</b></p> <p>At this stage in the year, there is nothing to suggest there are any long term COVID pressures, with income levels from Sales, fees and charges being in line with budget, therefore the central COVID contingency of £1.50m has been released in full, as previously reported.</p> <p><b>GMCA Transport Levy</b></p> <p>The final GMCA Transport levy set is lower than the budget agreed in February by £154k.</p>
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<p>Dedicated Schools Budget</p>	<p>724</p>	<p>The DSG allocation has increased by £697k since P2 due to additional funding being allocated within the High Needs Block (£575k) which was mainly for growth at the special free school (The Orchards) and the Early Years Block (£122k) for updated census data (January 22).</p> <p><b><u>Schools Block</u></b> - £361k underspend relates to the Growth Fund.</p> <p><b><u>Central Schools Block</u></b> - £22k underspend is mainly on the Primary Targeted area.</p> <p><b><u>High Needs Block</u></b> - £1.11m overspend is due to a £211k overspend on the budget set and that the budget set is £898k more than the latest grant allocation received.</p> <p>The £211k overspend is mainly due to funding an additional 24 further education placements at £6k each (£144k) with no additional grant. Additional funding in the current formula is not provided by central government for any increases in 19-25 year olds. Additional places at The Orchards and Delamere account for £40k with the balance of the overspend relating to minor variances.</p> <p>There is a negative high needs block reserve of £1.992m, leaving an overall deficit of £3.101m.</p> <p>Work continues to take place on this with a HNB sub-group of the funding forum which is working on a report to summarise options for longer term savings.</p> <p>In addition to this a meeting has also been held with the Education and Skills Funding Agency (ESFA) to progress work on a DSG Deficit Recovery Plan which will also assist in future planning.</p> <p><b><u>Early Years Block</u></b> - £2k minor underspend.</p>
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### Appendix 3

Theme/Title	Service Area	Budget 2022/23 £000's	Outturn Projection 2022/23 £000's	Gross Variance 2022/23 P4 £000's	Description of Saving	Financial RAG 22/23	Financial RAG comments
Strategic Investment Income	Place	(1,040)	0	1,040	Recycling of receipts to maintain net income at achievable levels	RED	Ongoing MTFP issue
Resident parking permits and parking charges	Place	(100)	(80)	20	A range of measures will be undertaken to ensure charges are suitable whilst also recognising potential impact on users, businesses and the environment.	AMBER	Delay in implementing the fee changes approved in February.
Digital Strategy	Council Wide	(100)	0	100	Increased use of digital technology to deliver better and more efficient services.	RED	Increased investment in technology to deliver efficiencies (streamlining processes etc) Savings yet to be identified
<b>TOTAL SAVINGS AND INCOME PROPOSALS</b>		<b>(1,240)</b>	<b>(80)</b>	<b>1,160</b>			

## Appendix 4

<b>2022/2025 INDICATIVE CAPITAL PROGRAMME</b>				
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>Total</b>
<b>DESCRIPTION</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Schools</b>				
Basic Need – School Places	0.79	9.56		10.35
Firs Primary School	3.39			3.39
Willows Primary School	2.10	0.86		2.96
Templemoor Infant School	0.51	1.28		1.79
Moorlands Junior School	3.00	0.97		3.97
Davyhulme Primary School	0.50	2.49		2.99
School Access Initiative	0.13	0.05		0.18
Devolved Formula Capital	0.82	0.62	0.37	1.81
Capital Maintenance Grant	3.22	3.97	2.48	9.67
SEND Capital	1.82	8.23		10.05
<b>Sub-total</b>	<b>16.28</b>	<b>28.03</b>	<b>2.85</b>	<b>47.16</b>
<b>Children's Services</b>				
Foster Carers – Accommodation Improvements	0.13	0.12	-	0.25
Hayeswater Centre – Improving outdoor provision	0.03	-	-	0.03
Children Services – Data Capture	0.30	0.20		0.50
Liquid Logic – Children's & Delegation Portals	0.01	-	-	0.01
<b>Sub-total</b>	<b>0.47</b>	<b>0.32</b>	<b>0.00</b>	<b>0.79</b>
<b>Adults Social Care</b>				
Disabled Facility Grants	3.36	4.04	2.47	9.87
Assistive Technology/Technology Innovation	0.10	0.10		0.20
Right Care For You	0.10			0.10
Liquid Logic/Data Capture	0.09	-	-	0.09
Shawe Road, Urmston – Complex Needs (Change of use)	0.10		-	0.10
Liberty Protection Safeguards (Liquid logic updates)	0.07	-	-	0.07
<b>Sub-total</b>	<b>3.82</b>	<b>4.14</b>	<b>2.47</b>	<b>10.43</b>
<b>Place</b>				
Town Centres Loans Fund	0.18	0.10		0.28
Business Loan Scheme	0.10	0.40		0.50
Altrincham Town Centre – Public Realm	2.00	0.78		2.78
Stretford Town Centre – Public Realm	0.04	1.50		1.54
Market Street, Altrincham – Redevelopment	0.24			0.24
Greater Manchester Full Fibre		0.07		0.07
Manchester Airport – Project Apollo				0.00
Manchester Airport – Project Mere		3.26		3.26
Trafford Waters, Trafford Park – Infrastructure	4.06			4.06
Future High Street Fund	3.02	12.66	1.00	16.68

Public Building Repairs and Compliance Programme	0.45	0.81	0.45	1.71
DDA Programme	0.12	0.05	0.04	0.21
Sale Waterside/ Trafford Town Hall Improvements incl. Update Working Arrangements	0.38	0.67		1.05
Watling Gate – Preservation/Conservation		0.16		0.16
Members Committee Room ICT	0.15			0.15
Altrincham, Market House Improvements	0.10			0.10
De-carbonisation Programme	2.78			2.78
Leisure Strategy – “Increasing Physical Activity” Maintenance	0.19	0.05		0.24
Altrincham Leisure Centre	0.92	12.06	5.63	18.61
Sale Leisure Centre	0.25	0.25	17.40	17.90
Stretford Leisure Centre	0.25	5.29	10.06	15.60
Football Facility Provision	0.36	1.80		2.16
Turn Moss Playing Fields	0.10			0.10
Timperley Sports Club – Artificial Pitch Contribution	0.35			0.35
Sports Provision – Artificial surface replacement		0.48		0.48
Altrincham Driving Range	0.09			0.09
Parks - Tennis Courts Programme	0.72			0.72
Integrated Transport Schemes	0.38	0.96	0.61	1.95
Boroughwide – Boundary / Village Entry Signs	0.01	0.09		0.10
Altrincham Town Centre Cycle Link	0.13			0.13
The Square, Hale Barns	0.06			0.06
Mayors Cycling and Walking Challenge Fund	2.78	15.80		18.58
Residents Parking Scheme	0.05	0.10		0.15
Electric Vehicle Charging Points		0.50		0.50
Cycle Parking at Stations	0.04			0.04
City Cycle Ambition Grant	0.01			0.01
Casualty Reduction Programme				0.00
Active Travel	0.05	0.46		0.51
EAT - Social Distancing Works	0.21			0.21
Integrated Transport - S106		0.07		0.07
Bus Stop Accessibility Programme	0.23			0.23
Highways Structural Maintenance	3.00	6.31	2.91	12.22
Surface Dressing & Treatment Programme	3.00	3.00		6.00
Key Route Network Programme	3.50	1.00		4.50
Pothole & Challenge Fund				0.00
Park Map - ICT Upgrade		0.02		0.02
Highways Tree Programme		0.05		0.05
Highway Maintenance Section 106		0.07		0.07
Street Lighting	1.22	0.50		1.72
Electric Street Furniture Replacement	0.08	0.05		0.13
Bridge Assessments and Strengthening	0.55	0.50		1.05
Carrington Junction and Relief Road	0.95	12.50		13.45
Highways Infrastructure Safety Improvements	0.10	0.51		0.61

New Chapel and Installing Resomation cremators	0.15	1.30	0.50	1.95
Countryside Access – Infrastructure & Biodiversity	0.09			0.09
Play Area Infrastructure and Refurbishments	0.83	0.25		1.08
Parks & Open Space, Outdoor Sports & RRF – S.106 Funded	0.37	0.23		0.60
Parking – Improvements/P&D/Signage	0.09			0.09
Enforcement and Permit Software Upgrade	0.04			0.04
Regent Road Multi-storey Car Park	0.20			0.20
Assistance to Owner Occupiers	0.06	0.08		0.14
Housing Standards / Empty Property Initiatives	0.06	0.09		0.15
Affordable Housing Fund		0.05		0.05
CCTV Transformation Programme – Phase 2	0.54			0.54
CCTV Cameras – Fly-tipping Prevention	0.16			0.16
<b>Sub-total</b>	<b>35.79</b>	<b>84.88</b>	<b>38.60</b>	<b>159.27</b>
<b>Governance &amp; Community Strategy</b>				
Waterside Arts Centre	0.05	-	-	0.05
<b>Sub-total</b>	<b>0.05</b>	<b>0</b>	<b>0</b>	<b>0.05</b>
<b>Finance &amp; Systems</b>				
Civica – New Web Front-end	0.01			0.01
ICT Services and Infrastructure	0.21	0.09		0.3
Office 365 – Implementation, training etc.	0.12			0.12
Windows 10 Implementation	0.3			0.3
Systems Upgrades SAP/RFC	0.02	0.22		0.24
Development / Low Code Solution	0.11	0.11		0.22
Meeting Room – Video Conferencing	0.11			0.11
Improved Digital Resilience and Disaster Recovery	0.13	0.24		0.37
Digital Inclusion		0.15		0.15
CRM - Update/Replacement	0.6	1.4	0.1	2.1
Digital and Hardware Investment		0.5		0.5
Business Intelligence	0.2			0.2
<b>Sub-total</b>	<b>1.81</b>	<b>2.71</b>	<b>0.1</b>	<b>4.62</b>
<b>GENERAL PROGRAMME TOTAL</b>	<b>58.22</b>	<b>120.08</b>	<b>44.02</b>	<b>222.32</b>

## Prudential Indicators – 2022/23

The Prudential Code for Capital Finance in Local Authority has been reviewed and updated following a consultation with Local Authorities in November 2021. The Code requires that the Council report and monitor Prudential Indicators on at least a quarterly basis during the financial year. These indicators are designed to support and record local decision making in manner that is publicly accountable.

These indicators are approved and set by the Council in February each year as part of the wider budget setting process.

The prudential indicators cover the three areas in which the Council is required to report and monitor:

### Capital expenditure indicators:

- **Estimates of capital expenditure;** Actual total capital expenditure for previous financial year and estimates of spend for the following three years. Variances found here from the approved indicator level to the current forecast level are due to revisions to the programme, reported through the regular Capital Budget Monitoring and approved by the Executive.
- **Estimates of capital financing requirement;** this reflects the estimated need to borrow for capital investment (i.e. the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts).

Prudential Indicators - Period 4 2022/23	2021/22	2022/23			2023/24			2024/25		
	Actual £m	Approved £m	Current Forecast £m	Variance £m	Approved £m	Current Forecast £m	Variance £m	Approved £m	Current Forecast £m	Variance £m
<b>Capital Expenditure</b>										
Capital expenditure - General Programme	27.07	79.56	58.22	(21.34)	68.60	120.08	51.48	39.07	44.02	4.95
Capital expenditure - Investment Strategy	30.90	130.15	93.99	(36.16)	75.00	118.63	43.63	25.00	28.46	3.46
Capital expenditure - Total	57.97	209.71	152.21	(57.50)	143.60	238.71	95.11	64.07	72.48	8.41
Capital Financing Requirement (CFR)	376.35	538.44	471.34	(67.10)	624.81	611.33	(13.48)	624.28	657.15	32.87

## External debt indicators

- **Authorised limit for external debt;** This is a key prudential indicator and represents a control on the maximum level of external debt that the Council will require for all known potential requirements. It includes headroom to cover the risk of short-term cash flow variations that could lead to temporary borrowing and any potential effects arising from bringing “off balance sheet” leased assets onto the balance sheet in compliance with IFRS 16.
- **Operational boundary for external debt;** calculated on a similar basis as the authorised limit but represents the likely level of external debt that may be reached during the course of the year and is not a limit
- **Gross debt and the capital financing requirement;** The Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

Prudential Indicators - Period 4 2022/23	2021/22	2022/23			2023/24			2024/25		
	Actual £m	Approved £m	Current Forecast £m	Variance £m	Approved £m	Current Forecast £m	Variance £m	Approved £m	Current Forecast £m	Variance £m
<b>External Debt</b>										
Authorised limit for external debt - Capital Programme	200.00	210.00	210.00	0.00	240.00	240.00	0.00	240.00	240.00	0.00
Authorised limit for external debt - Investment Strategy	300.00	400.00	400.00	0.00	475.00	475.00	0.00	500.00	500.00	0.00
Authorised limit for external debt - Other long-term liabilities	4.20	3.90	3.90	0.00	3.50	3.50	0.00	3.10	3.10	0.00
Authorised limit for external debt - Total	504.20	613.90	613.90	0.00	718.50	718.50	0.00	743.10	743.10	0.00
Actual external debt	322.42									
Operational boundary for external debt - Capital Programme	180.00	190.00	190.00	0.00	220.00	220.00	0.00	220.00	220.00	0.00
Operational boundary for external debt - Investment Strategy	300.00	400.00	400.00	0.00	475.00	475.00	0.00	500.00	500.00	0.00

Operational boundary for external debt - Other long-term liabilities	4.20	3.90	3.90	0.00	3.50	3.50	0.00	3.10	3.10	0.00
Operational boundary for external debt - Total	484.20	593.90	593.90	0.00	698.50	698.50	0.00	723.10	723.10	0.00
Gross debt and the capital financing requirement	Compliant	Compliant	Compliant	-	Compliant	Compliant	-	Compliant	Compliant	-

### Affordability indicators

- **Estimates of financing costs to net revenue stream;** this indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the Council's net revenue stream. This demonstrates the affordability and proportionality of that borrowing by comparing it to the Council's net revenue stream as a whole.
- **Estimates of net income from commercial and service investments to net revenue stream;** This indicator compares income from commercial investments to the Council's net revenue stream. As before, this comparison allows for consideration for the Council reliance on that income and its proportionality.

Prudential Indicators - Period 4 2022/23	2021/22	2022/23			2023/24			2024/25		
	Actual £m	Approved £m	Current Forecast £m	Variance £m	Approved £m	Current Forecast £m	Variance £m	Approved £m	Current Forecast £m	Variance £m
<b>Affordability</b>										
Financing Costs to net revenue stream	6.6%	6.7%	6.6%	-0.1%	6.8%	6.6%	-0.2%	6.6%	6.7%	0.1%
Net Income for commercial and service investments to net revenue stream	9.4%	7.5%	8.5%	1.0%	6.0%	8.0%	2.0%	5.4%	7.5%	2.1%

