

## TRAFFORD COUNCIL

**Report to: Executive**

**Date: 13<sup>th</sup> March 2023**

**Report for: Decision**

**Report of: The Leader of the Council with Executive Portfolio for Finance and Governance and the Director of Finance and Systems**

**Report Title:**

**Budget Monitoring 2022/23 Period 10 (April 2022 to January 2023)**

### **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 and capital programme.

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

David Muggeridge, 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	Expenditure is aligned to meet the priorities with the the Corporate Plan which is aligned to the GM policy and strategy where required.
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.
Legal Implications:	Non 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

## EXECUTIVE SUMMARY

- 1 In a change from previous detailed monitoring reports, this period 10 report focuses on a high level summary of the estimated outturn and significant changes from the Period 8 monitor. A detailed report will resume for the final outturn position.
- 2 **Revenue Budget** - The approved budget for 2022/23 agreed at the 16 February 2022 Council meeting was £192.57m. The current projected forecast outturn is an adverse £29k comprising an underspend on the controllable Service budgets of £5.943m plus an overspend caused by factors outside the Council's control, mainly associated with the high levels of inflation of £5.972m.

Summary details of the variances by Service are shown in the Table 1 below with further details included in Annex 1.

<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>% Variance</b>
Children's Services	44,995	46,682	1,687	3.75%
Adult Services	57,485	56,354	(1,131)	(1.97)%
Public Health	12,918	12,654	(264)	(2.04)%
Place	31,319	33,510	2,191	7.00%
Strategy & Resources	9,690	9,085	(605)	(6.24)%
Finance & Systems	8,482	8,475	(7)	(0.08)%
Governance & Community Strategy	2,724	3,060	336	12.33%
<b>Total Directorate Budgets (*)</b>	<b>167,613</b>	<b>171,234</b>	<b>2,207</b>	<b>1.32%</b>
Council-wide budgets	24,959	16,809	(8,150)	(32.65)%
<b>Net Service Expenditure variance</b>	<b>192,572</b>	<b>186,629</b>	<b>(5,943)</b>	<b>(3.09)%</b>
Impact of Inflation	0	5,972	5,972	
<b>Total Projected Outturn</b>	<b>192,572</b>	<b>192,601</b>	<b>29</b>	<b>(0.02)%</b>

There has been a favourable movement of £4.943m from Period 8, largely as a result of :-

- **Treasury Management** – A revision to the Minimum Revenue Provision (MRP) policy as agreed at 15<sup>th</sup> February Council. **A favourable movement of £4.38m.**
- **Additional Social Care Grants** - Funding related to the Hospital Discharge Programme and Ukrainian Refugee Support, **a favourable movement of £0.607m**
- **Children's Placements** - **an adverse movement of £0.650m** in the period largely due to new placements being made and the release of the contingency budget not sufficient to cover these costs.

- **Staffing budgets** across all service areas are forecast to underspend by £2.784m, a **favourable movement of £0.854m** since last reported, largely due to ongoing issues with recruitment.
- **Inflationary pressures** in 2022/23, including a provisional pressure of £1.5m for the 2023/24 pay award, suggests that a figure of £5.97m would be needed at period 10. **This is an increase of £0.729m.**
- **Strategic Investment Programme** – A £0.493m favourable movement from Period 8.

It should be noted that there are a number of assumptions and factors which have the potential to further positively affect the outturn figure. For instance there are contingency items within demand led services with £101k and £63k in Children's and Adults Services and £581k in the corporate budget contingency. In addition, savings will continue from management action, particularly surrounding the tightening of the vacancy management process, which is also an ongoing savings requirement for the 2023/24 budget.

- 3 Delivery of the In-year savings programme** – The budget includes a savings target of £5.32m, the latest forecast shows that the programme is currently expected to deliver savings of £3.99m, which is £1.33m 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. **No change since Period 8.**
- 4 Schools Related Expenditure (Dedicated Schools Grant this is a separate ring fenced account and not part of general outturn detailed above)** – There is a net overspend across all four grant blocks of £1.84m, an adverse movement of £187k from period 8. An overspend of £2.41m in the High Needs Block has been offset by underspends on the remaining blocks. There is a brought forward overdrawn High needs block reserve of £1.99m, leaving an estimated deficit at year end of £4.40m. Funding for HNB has increased by £3.9m in 2023/24 which is a welcome recognition that the existing funding is not sufficient. Work continues to take place on the deficit with a HNB sub-group of the funding forum which is working on a report to summarise options for longer term savings.
- 5 Earmarked Reserves** – No significant change from the update provided for the Final Budget report with the exception of the potential higher draw down from the Business Rate Risk Reserve to accommodate the timing differences of refurbished properties being relisted.
- 6 Capital Programme** – The revised capital programme budget for this financial year is £52.92m which is net decrease of £13.43m from the P8 position of £66.06m. This includes the reprofiling of some significant schemes such as the Mayor Challenge Fund £2.4m, Carrington Relief Road Home England payments £3.2m, £1.0m Disabled Facilities Grant work and £0.9m Public Sector Decarbonisation works at Altrincham Leisure Centre.

The 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 £311.10m, of which £262.31m has currently been expended. Since period 8, the IMB has agreed a new debt facility of £11.94m at Barton Dock Road, in Trafford Park, to allow for the construction of new industrial units; providing regional regeneration and a revenue return to fund front line services.

## **7 Recommendations**

It is recommended that the Executive:

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

### **Other Options**

No Applicable.

### **Consultation**

Not Applicable

### **Reasons for Recommendation**

Not applicable

**Finance Officer Clearance** .....DM.....

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

**DIRECTOR'S SIGNATURE** ...GB.....

## KEY REVENUE BUDGET VARIANCES

The following issues are worthy of being highlighted at Period 10:-

1 **Net Service Variance** - £5.943m underspend a favourable movement of £5.714m from Period 8.

- **Treasury Management** - In February 2023, as part of the revised Treasury Management Strategy, the Council agreed to an update of Minimum Revenue Provision (MRP) policy to allow for the annual charge to be calculated on an annuity basis from the 1st April 2022. The effect of this is a reduced charge in year, from that budgeted, by £4.38m. **A favourable movement of £4.38m since period 8.**
- **Children's placements** £1.29m overspend **an adverse movement of £0.650m** in the period largely due to new placements being made and the release of the contingency budget not sufficient to cover these costs. A contingency budget of £101k has been included for the remainder of the year.
- **Home to School Transport** pressures have **increased in the period by £48k** to £1.34m due to the continued increase in demand in passenger numbers, additional costs for fuel and complexity of cases. Additional resource of £1.3m has been added to the 2023/24 final budget to help address these pressures. This area continues to be scrutinised through the Finance and Change Programme with support from the Business Intelligence and the Trafford Travel Co-ordination Units in order to reduce the overspend.
- **Adults placements** an underspend of £181k, **no change since Period 8.** A contingency balance of £63k has been included for future demand.
- **Additional Grants – Total additional grants of £0.607m have been received since period 8** to offset the costs of relating to Adults Hospital Discharge Programme and Social Care workforce support for Ukrainian Refugees.
- **Strategic Investment Programme** – The Strategic Investment Property Portfolio is expected to deliver a net benefit to the revenue budget in 2022/23 of £5.35m. This is £1.39m lower (**£493k favourable movement from Period 8**) than budget due to economic factors affecting some of the income particularly from the town centre investments. Work continues in identifying a positive pipeline of investment opportunities, although pressures in the wider financial climate have caused a delay in potential schemes.
- **Staffing budgets** across all service areas are forecast to underspend by £2.784m, a favourable movement of £0.854m since last reported. This is an area of significant underspend, largely due to difficulties in recruitment and the management controls introduced in the year.

- Other net adverse movements of £1.485m across all service areas; a positive movement of £158k since last reported. This includes pressure on delivery of some aspects of the savings programme from 2021/22 of £195k relating to an estates review.
- The recent rises in the Bank of England base rate continues to have a positive impact on the level of investment income generated by the investment of surplus cash balances of £2.23m. **No change since Period 8.**
- **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 at this stage of the year, which cannot be managed within service budgets. **The balance of the centrally held COVID-19 contingency budget of £1.5m has therefore been released in full as previously reported. No change since Period 8.**
- Other Council Wide net favourable variances of £45k **an adverse movement of £75k since Period 8.**

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

- 2.1 The assumptions on inflation have become firmer as the year has progressed and costs can now be confirmed relating to the 2022/23 Local Government pay award which is a figure of £3.11m above budget. In addition, energy prices are now forecast to cost £1.36m above budget a minor increase of £31k since period 8.
- 2.2 Whilst the position relating to inflation in 2022/23 has become firmer, the global forecasts will remain volatile and may be subject to change for some time. Not only has the high level of inflation placed a significant burden on the in-year position, significant additional resource to cover the on-going inflationary pressures from 2022/23 has been added to our 2023/24 Budget as presented to the Executive on 15<sup>th</sup> February 2023.
- 2.3 The negotiations for the 2023/24 pay award commenced in January 2023 and on 23<sup>rd</sup> February 2023, the National Employers made full and final offers to the trade unions/staff sides representing local government services employees. The pay offer is being considered by trade union representatives and whilst details of the cost have yet to be confirmed, a broad estimate of the impact has been calculated at £1.5m above our 2023/24 budget assumptions.
- 2.4 It is therefore considered prudent that the favourable service outturn is used to bolster the Inflation Risk Reserve, before the year end, in order to help smooth the impact of the pressure caused by the 2023/24 pay award.
- 2.5 ***In summary the impact of the various inflation pressures in 2022/23, including a provisional pressure of £1.5m for the 2023/24 pay award, suggests that a figure of £5.97m would be needed at period 10. This is an increase of £0.729m from period 8***

