

## TRAFFORD COUNCIL

Report to: Executive

Date: 18<sup>th</sup> September 2023

Report for: Information

Report of: Executive Member for Finance, Change and Governance and the  
Director of Finance and Systems

Report Title:

**Budget Monitoring 2023/24 Period 4 (April 2023 to July 2023)**

### Summary:

The purpose of this report is to inform Members of the 2023/24 projected outturn figures relating to both Revenue and Capital budgets.

It also summarises the projected outturn position for Council Tax and Business Rates.

The report is divided into three parts:-

- **Part 1** – Provides at “At a Glance” high level summary of the key aspects of the budget monitoring position
- **Part 2** – An Executive Narrative of the Projected Outturn and Outlook
- **Part 3** – A list of annexes containing specific detail on the individual directorate positions, capital programme, savings programme and schools’ budgets.

### Recommendation(s)

**It is recommended that the Executive:**

- a) note the report and the estimated revenue outturn position showing a budget overspend of £1.752m;
- b) note the update on the Capital Programme as detailed in Section 6 and Annex 3.
- c) Note, within the Capital Programme, the need to review all schemes supported by internal resources to address the current high level of overprogramming. This will be reported back to Executive as part of the Period 6 budget monitoring.
- d) Note the management actions that are currently in place to mitigate the current projected overspend in 2023/24. The Corporate Leadership Team will consider further measures that may be required to avoid any unnecessary use of earmarked reserves in advance of the Period 6 budget monitoring report when a more mature in-year position is known.



**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 Corporate Plan which is aligned to the GM policy and strategy where required.
Financial	It is the responsibility of the Executive to operate within the budgetary framework set by the Council when it agreed the budget for 2023/24 at the Council Meeting on 15 February 2023.  Revenue and capital expenditure to be contained within available resources in 2023/24.
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

## PART 1 - At a Glance Executive Summary

This Period 4 report provides an “At a Glance Executive Summary” which focuses on a high level summary of the estimated outturn. Supporting annexes provide detailed explanations and movements.

### At a Glance Sections

- Section 1 - Revenue Service Budget Outturn and Variance
- Section 2 - Revenue Funding General Fund Budget Outturn and Variance
- Section 3 - Collection Fund – Business Rates and Council Tax
- Section 4 - Earmarked Reserve movements
- Section 5 - Delivery of in-year savings programme
- Section 6 - Capital and Asset Investment Programme and Prudential Indicators
- Section 7 - Dedicated Schools Grant Outturn

## Total Revenue Budget 2023/24

Approved Revenue Budget

**£209.81m (\*)**

Projected Outturn at Period 4

**£1.75m Overspend**

Comprising of Overspend on Service Revenue Budgets of **£1.75m**  
Revenue Funding budgets (Council Tax and Business Rates) are on budget

Movement since Prior Period

**£0.45m Adverse**

(\*) The Net Revenue Budget increased since that agreed in February 2023 at Council from £209.38m to £209.81m as a result of a late notification of an increase in the Public Health Grant allocation of £430k. Full Council also approved delegated authority to the Director of Finance and Systems to vary the net Revenue Budget for any changes in the assumed level of this grant.

## Section 1- Revenue Service Budget

### Revenue Service Budget 2023/24

Approved Revenue Service Budget

**£209.81m**

Projected Outturn at Period 4

**£1.75m Overspend**

Comprising of

Overspend on Directorate Budgets

**£4.16m**

Underspend on Council Wide Budgets

**£2.41m**

Movement since Prior Period

**£0.453m Adverse**

**Table 1 - At a Glance – Variance by Service Directorate**

Service Directorate	2023/2024 Budget £000	Outturn £000	Full Year Variance £000	Change from Prior Period £000
Children's Services	48,671	52,399	3,728	1,254
Adult Services	60,663	60,355	(308)	(358)
Public Health	13,374	13,338	(36)	0
Place	38,302	38,961	659	(240)
Strategy & Resources	9,909	9,853	(56)	(179)
Finance & Systems	9,367	9,553	186	145
Legal & Governance	3,535	3,519	(16)	15
<b>Total Directorate Budget/Act/Variance</b>	<b>183,821</b>	<b>187,978</b>	<b>4,157</b>	<b>637</b>
Council-wide budgets	25,985	23,580	(2,405)	(184)
<b>Net Service Budget/Outturn/Variance</b>	<b>209,806</b>	<b>211,558</b>	<b>1,752</b>	<b>453</b>

<b>Table 2 - At a Glance – Variance by cause</b>			
<b>Directorate Budgets</b>	<b>Variance £000</b>	<b>Movement from Prior Period £000</b>	<b>Comment Ref</b>
Children's placements	2,294	714	7
Children's Home to School	1,064	124	10
Adults' demand	430	430	8
Foster Parents Inflation pressures	252	252	9
Cont from Inflation Risk Reserve Foster Parents Inflation	(252)	(252)	9
Market Sustainability & Improvement Fund (Adults)	(788)	(788)	3
Staffing (Children's, Adults, Public Health)	(77)	(8)	2
Staffing (all other areas)	(1,053)	(277)	2
Strategic Property	(212)	(293)	5
Energy Costs	(161)	(57)	4
Savings not met (incl. 22/23 slippage)	213	(27)	11
Other	2,447	819	12
<b>Directorate Budget Sub-Total</b>	<b>4,157</b>	<b>673</b>	
<b>Council Wide</b>			
Treasury Management	(2,238)	(225)	1
Inflation 23/24 pay award	700	(900)	9
Contribution from Inflation Risk Reserve	(700)	900	9
Enhanced Pension on historic Early Retirements	(150)	0	6
Council Wide Other	(17)	41	6
<b>Council Wide Sub-Total</b>	<b>(2,405)</b>	<b>(184)</b>	
<b>Net Service Budgets</b>	<b>1,752</b>	<b>453</b>	

Further details on individual directorate positions are included at **Annex 1**.

### **Favourable Outturn Movements**

1. **Treasury Management** – a favourable outturn of **£2.24m** the escalating increase in interest rates is resulting in a favourable return above budget on investment income from surplus cash.
2. **Staffing budgets** across all service areas are projecting to **underspend by £1.13m**. This was an area of significant underspend in the previous financial year, largely due to difficulties in recruitment and this pattern is continuing in

2023/24. The recruitment management controls introduced last year to manage the overall budget pressures have remained in place and also contribute towards the underspend.

3. **Market Sustainability and Improvement Fund - underspend £788k.** The Council has been awarded an additional allocation of £1.438m. In line with the grant conditions the Council will apply the fund to support pressures on Mental Health and Learning Disability, continue the overtime scheme for social workers to reduce waiting times and use the remaining £788k to offset the costs of provider uplifts applied at the start of the financial year.
4. **Energy Costs –** The property energy budget was increased by 200% in 2023/24 to address the escalating costs of inflation. There is an estimated **favourable outturn of £161k** indicating the additional resources were sufficient to manage the ongoing impact.

Street Lighting represents a significant element of the energy budget, and the Council entered a new contract from April 2023. Energy is purchased flexibly under the new contract and bills are currently being reviewed with the supplier, and the final bills for 2022/2023 with the previous supplier. This may be an area which could result in further variances and updates will be provided as the year progresses.
5. **Strategic Investment Programme –** The Strategic Investment Property Portfolio budget was reduced by £1.5m in 2023/24 in recognition of the recurrent shortfall in this budget due to the downturn in the economy. The revised budget is £5.69m and there is a small **favourable forecast outturn of £212k**, an improvement of £293k from P2. The Council is working to bring forward new investments to meet the challenge of those being repaid.
6. **Other favourable variances - £167k.** A small number of favourable variances of which £150k relates to enhanced pension costs. This is a recurrent saving as costs reduce over time and will be released to close the budget gap in 2024/25.

#### **Adverse Outturn Movements**

7. **Children's placements - £2.29m overspend.** It was anticipated when setting the budget that any new children coming into the system would be offset by children exiting. In P2 it was reported that since then 9 new children had entered the system requiring external residential placements which are expected to cost over £2m. In P4 the number of placements has reduced, however the cost and complexities of children coming into care outweigh the costs of those leaving care. There is a £604k contingency to cover a forecast of additional demand in the year.
8. **Adults demand – overspend £430k.** This budget remains high in complexity and volatility as it is in part driven by wider system pressures in health in addition to direct adult social care demands within this projection there is a contingency of £1.1m to mitigate rising costs as a result of increasing complexity of existing clients and demand from new clients.
9. **Inflation –** The cost of the 2023/24 local government pay award is still unknown, however additional costs above budget of £700k have been

assumed based on the draft pay offer being accepted by the Trade Unions. In addition, higher than anticipated awards for foster parent payments were announced by the Government after the budget was set. This has resulted in pressures of £252k.

The earmarked Inflation Risk Reserve was bolstered during the 2022/23 closedown for this purpose and will be drawn down in 2023/24 to neutralise the impact in year. These additional pressures will need to be added to our budget plans for 2024/25.

10. **Home to School Transport - £1.064m overspend** due to the continued increase in demand in passenger numbers and complexity of cases. This is an adverse movement of £124k from P2. The service is revisiting all options to address this deficit and will be subject to Finance and Change Board scrutiny.
11. **Service Area savings not met - £213k adverse** – includes an element of savings delayed from 2022/23. A detailed savings update is provided in Section 4.
12. **Other net adverse movements of £2.447m across all areas - £819k adverse.** Large items within this figure includes a shortfall in Planning income of £463k, running costs of £621k related to Section 17 (Childrens') and a general service budget capacity/efficiency target of £1.0m across all service areas. This efficiency target was increased in the 2023/24 budget to reflect a general expectation that services will underspend in all areas as a result of vacancy management and reductions in general administration such as travel and stationery supplies.

## Section 2 – Revenue Funding Budget – General Fund

### Revenue Funding Budget 2023/24

Approved Revenue Funding Budget  
Business Rates £81.48m  
Council Tax £120.92m  
Reserves £7.40m

Outturn at Period 4  
Business Rates on budget  
Council Tax on budget  
Reserves on budget

**Total £209.81m**

**Total - nil variance**

Uncertainty in timing of rates benefit from major refurbishments at Trafford Centre.  
**Business Rates Risk Reserve will be used to smooth any impact**

Uncertainty in Council Tax income due to increase in exemptions and discounts.  
**Council Tax Risk Reserve of £0.5m is available to smooth any impact**

Movement since prior Period

**Nil**

The Revenue Funding General Fund Budget comprises of income from Business Rates, Council Tax and Reserves.

The General Fund budgets for Business Rates and Council Tax are fixed at the beginning of the year. In-year income from Business Rates and Council Tax is monitored through the Collection Fund (see next section). Any surplus or deficit on the Collection Fund is either distributed or collected in the following financial year. The Business Rate and Council Tax Risk Reserves are available to smooth the impact if a deficit is forecast.



## Section 3 – Collection Fund Business Rates and Council Tax

### Business Rates and Council Tax

#### Total Budget

Business Rates £81.48m

Council Tax £120.92m

#### Business Rates

Outturn in line with budget

#### Underlying Outturn Themes

Outturn in line with budget

Risk associated with temporary closures/refurbishments and properties coming back on-line

Business Rates Risk Reserve may be drawn on to smooth timing impact

#### Council Tax

Outturn £0.6m adverse

#### Underlying Outturn Themes

Shortfall due to higher level of Discounts (single person) and Exemptions £1.13m

Favourable lower level of Council Tax Support £0.729m

Cost of discretionary awards under the Council Tax Support Scheme £0.33m off set by a contribution from Support Fund Grant

Adverse pressure from backdated claims £0.2m

#### Council Tax

- There is a substantial increase in the number of claims for Council Tax Discounts (eg single person) and exemptions resulting in a shortfall of £1.13m. Investigations have commenced into cases for exemptions and c50% of cases have responded with updated circumstances. This has led to a slight reduction in the number of claimants.
- There are plans to start reviewing claims for single person discount as the number of claims is significantly greater than at budget. As a result of the large number of cases this resource intensive review will be outsourced. Investigations into the legitimacy of the remaining claims is ongoing and may reduce the pressure as the year progresses.
- Favourable variance due to lower number of claims for Council Tax Support awards of £0.729m, partly as a result of higher claims for discounts above.

- The additional temporary discretionary support scheme introduced in 2023/24 to support claimants not already getting 100% CTSS discount has cost £0.33m. This has been fully compensated from an additional Government Grant, resulting in a neutral impact.
- Higher than anticipated backdated claims (changes in banding appeals etc) has led to a pressure of £0.2m.
- Estimated in year deficit of £0.6m, options to use the Council Tax Risk Reserve (£0.5m balance) established in 2023/24 will be considered.
- **Outlook** – the recurrent impact of the increase in discounts and exemptions will need to be reflected in future budget plans.

### **Business Rates**

- As at period 4 the business rates projection is broadly in line with budget. The budget included growth in rateable value of £11.8m for the major retail refurbishments at the Trafford Centre, with sites expected to reopen early in 2023/24. Whilst some of this growth has now been included in the rateable value, a significant number of redevelopments have been delayed and are yet to be included on the rating list. It is anticipated that the redevelopments will be completed within the next few months and included within the rating list by period 8.
- **Outlook** – As in previous years, there is a significant risk in forecasting the temporary pressures caused by delays in major refurbishments, changes and new sites at the Trafford Centre. Will continue to be monitored in the new year. The Business Rate Risk Reserve will be utilised to smooth any timing issues in the delivery of benefits.

## Section 4 – Earmarked Reserves

### Earmarked Reserves (excluding COVID)

Opening Balance April 2023 (pre audit)

**£73.98m**

Estimated Balance March 2024

**£66.84m**

Estimated decrease in the year

**£7.14m**

A detailed review of reserves review will be undertaken in preparation of the draft 2024/25 budget later in the year.

## Section 5 – Delivery of In-year savings programme

### Savings Programme 2023/24

Savings Target

**£11.76m**

Savings Achieved

**£11.67m (99% Achieved)**

Below Target by

**£90k**

Further details in **Annex 2**

A forecast outturn of £11.570m, with only 3 schemes forecasting a shortfall of £190k. Mitigating action/ alternative savings have been identified on 3 schemes of £100k reducing the net shortfall to £90k.

The savings on Children's placements of £1.0m is the largest scheme classified as Red status in terms of delivery risk, this is due to pressure on new placements potentially offsetting the reduction in costs from step down activity (children reducing or leaving care).

## Section 6 – Capital Programme

### Capital Programme 2024/2027

Original 3 year Capital Programme  
agreed Feb 2023

**£199.17m**

Revised 3 year Capital Programme

**£215.28m**

Increase in three year programme

**£16.12m**

Revised Capital Programme  
2023/24 at P2

**£109.42m**

Revised Capital Programme  
2023/24 at P4

**£86.04m**

Reduction in 2023/24 programme

**£23.38m**

Over-programmed 3 year Capital  
Programme agreed Feb 2023

**£3.52m**

Revised Over-programmed 3 year  
Capital Programme

**£6.52m**

### Prudential Indicators

The objectives of the Prudential Indicators are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and to support and record local decision making in manner that is publicly accountable.

Capital Expenditure Indicators – have been updated to reflect the revised programme.

External Debt Indicators - No limits or operational boundaries have been breached.

Affordability Indicators – Finance costs to Net Revenue Stream has been updated to reflect interest receipts from investments. This has resulted in a short-term improvement in affordability.

Further details in **Annex 3**

The Capital Programme Board made up of both senior officers and those delivering schemes meets on a regular basis throughout the year to review and challenge delivery and effective management of schemes.

Since P2, the Board has undertaken a full review of the programme and reprofiled the capital programme for each of the three years. This exercise concluded the following.

**Three Year Programme** - An increase of £16.12m. Largely due to

- Re-profiling of expenditure slippage from 2022/23 of £18.60m.

- Removal of the scheme to support Manchester Airport – Project Mere (COVID Support Loan) – £3.27m as the additional resource is no longer required by the airport group.
- Increase in schemes due to additional grant allocations for the school's maintenance programme and additional pothole funding, a combined total of £0.80m.

### **2023/2024 Programme**

- the revised capital programme budget of £86.04m which is a net reduction of £23.38m, consisting of £22.20m of re-profiled expenditure to future years and a decrease in grant resources of £1.18m in line with revised programmes of delivery.
- The largest items of reprofiled expenditure are £16.41m in Place, including £4.36m deferment in works under the Mayors Cycling & Walking Challenge Fund, £2.50m Highways and Structural Maintenance, £1.77m Partington Sports Village and £850k Leisure Strategy Refurbishment.

### **Over-programmed - 3 Year Resources**

- The approved programme in February 2023 reflected an over-programmed level of £3.52m above the level of forecast capital receipts. Capital Receipts were estimated at £11.25m.
- A review of the current Land Sales and Development programme has been carried out and the over-programming is now anticipated to be £3.0m higher at £6.52m due to lower anticipated sales.
- This level of overprogramming is unsustainable and therefore a review of the capital programme is needed to correct this underfunding position.

## Section 6 – Schools Related Expenditure

### Dedicated Schools Grant

Schools, Central and Early Years Blocks - **Forecast Underspend £0.04m**

High Needs Block - **Forecast Overspend £5.29m**

Total Outturn

**£5.25m Adverse**

Movement since previous Period

**£0.89m adverse**

#### DSG Reserve

Combined Deficit brought forward April 2023 overdrawn **£1.47m**

Of which High Needs overdrawn **£4.14m**

**Estimated combined deficit at year end £6.73m**

Details in **Annex 1**

**Schools Related Expenditure (Dedicated Schools Grant 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 £5.25m. An overspend of £5.29m in the High Needs Block has been offset by an underspend of £37k on the remaining blocks.

The overspend in 2023/24 will result in a year end accumulated DSG deficit of £6.73m, consisting of a High Needs deficit of £9.43m, offset by a surplus on other blocks of £2.70m.

Funding for HNB was increased by £3.9m in 2023/24 and was a welcome recognition that the existing funding is not sufficient, however the overspend provides evidence that funding remains insufficient.

It is expected that LA's balance their in year spending by 2025/26, there is a real risk that Trafford will not be able to do that.

Work continues to take place on the DSG deficit management plan with proposals and options being discussed with the DfE. The plan has been scrutinised by the SEND Board and will be presented to Funding Forum and the Finance and Change Board at the next opportunity.

# **PART 2 – Executive Narrative Summary of Estimated Outturn and Outlook**

## **Revenue Outturn Summary**

### **1. There is a net projected outturn overspend of £1.752m for the year an adverse variance of £453k since Period 2.**

- 1.1. As with previous early period monitoring reports, a cautious approach is generally taken when preparing forecasts. In particular, assumptions are made that vacant positions will be filled successfully, which as the year progresses does not always transpire. Likewise, the contingency budgets, held within service areas and Council Wide are released with caution in the early stages of the year.
- 1.2. This Period 4 monitoring report can be used to give a general direction of travel and highlight any significant areas of concern which may not just impact on the current year, but also when preparing future budgets.
- 1.3. It is fair to say that projecting the financial outturn in recent years has been challenging given the level of uncertainty in the economy from the conflict within Ukraine and the high levels of inflation. The situation regarding inflation appears to be easing with headline inflation reducing from 8.7% in May 2023 to 6.8% in July 2023. However, core inflation, which excludes volatile energy, food, alcohol and tobacco prices remained unchanged. The escalation in Bank of England Base Rate to levels not seen for over 15 years will cause further pressures in household income, which may in turn have consequences in the support required from the Council.
- 1.4. The additional pressures caused by inflation were recognised during 2022/23 and an opportunity was taken to bolster the Inflation Risk Reserve by £1.5m to £4.5m. The cost of the provisional 2023/24 Local Government pay award at approximately 6% across the pay scale is already above our budget assumptions. Discussions continue with Trade Union bodies and latest indications suggest that the pay offer will be accepted, although this will not be confirmed until October 2023 at the earliest.
- 1.5. Inflation related to energy costs has dropped significantly from the highs seen last year and should be contained within the growth built into the 2023/24 budget. However, given the volatility in energy markets seen last year, it cannot be assumed that long term stability has returned. As the year progresses, the impact of the new energy contracts from April 2023, will become firmer and may impact the forecast outturn.
- 1.6. The Inflation Risk Reserve could be drawn down further should it be required, however given the significant and growing budget gap the Council is facing, it is critical that reserves are protected as much as possible to be used to smooth the impact of the gap, whilst permanent savings are identified.
- 1.7. With regard to the net outturn position, the following issues are worthy of being highlighted along with issues to consider on their impact on future plans :-



### **Service underspends include: -**

- **Treasury Budget** - The interest rate at the time of setting the budget has increased significantly and forecasts suggest that further increases are expected later in the year. This average investment rate has seen an increase in income, which along with careful cash management has enabled a delay in taking on new external borrowing until later in the year. This has generated additional investment income of £2.24m above budget. This is a £225k favourable variance from period 2, due to a further increase in the forecast income from the Council's short term investments.
- **Staffing budgets** net forecast underspend of £1.13m, due to delays in recruitment and service restructures. This underspend was a significant factor in the overall favourable outturn in the last financial year and it is possible that this figure will increase further as the year progresses due to difficulties in recruitment. Whilst significant underspends on staffing budgets are welcomed from a finance perspective, they should not become a recurrent theme if the recruitment exercises are successful.
- **Market Sustainability and Improvement Fund - underspend £788k.** Since period 2, the Government announced further resource under the Market Sustainability and Improvement Fund, of which the Council has been awarded an additional allocation of £1.438m. In line with the grant conditions the Council will apply the fund to support pressures on Mental Health and Learning Disability, continue the overtime scheme for social workers to reduce waiting times and use the remaining £788k to offset the costs of provider uplifts applied at the start of the financial year.

### **Pressures include:-**

- **Children's placements** £2.29m overspend due to an increase in the number of children entering care. Although the number of children entering the system has reduced, the cost and complexities of children coming into care outweigh the costs of those leaving care. The savings programme includes £1.0m target to reflect activity aimed at children stepping down from care. Although the Step Down programme is expected to achieve its target, the fact that incoming placements have increased has placed the total budget under pressure.
- **Inflation** – The escalating levels of inflation caused significant pressure in the previous financial year and continues to be an area of concern. The cost of the 2023/24 local government pay award is still unknown, however additional costs above budget of £0.7m have been assumed. This is a reduction of £0.9m from Period 2 based on the assumption that the pay offer is likely to be accepted following a Trade Union ballot. The earmarked Inflation Risk Reserve was bolstered during the 2022/23 closedown for this purpose and will be drawn down in 2023/24 to neutralise the impact in year. The additional pressure will need to be added to our budget plans for 2024/25.

Current projections relating to Energy suggest that the budget, which was increased by 200% in 2023/24, was sufficient to meet the current demand. A small saving of £161k is forecast in property energy costs and

the significant street lighting energy budget, is being monitored closely following the start of a new contract in April 2023. This may result in a change in the forecast outturn.

- **Home to School Transport** pressures of £1.064m due to increases in demand and complexity of cases in the current passenger numbers. This pressure is concerning, given that an extra £1.30m was added to our 2023/24 budget to address pressures. The Finance and Change Board are due to focus on options to contain pressures and existing work continues to ensure suitable challenge and value for money is achieved.
- **Strategic Investment Programme** – The investments made through the Council's Asset Investment Fund are forecast to generate a net benefit to the revenue budget in 2023/24 of £5.90m, which is a surplus of £212k compared to the budgeted net income target. This is a favourable movement of £293k since period 2. Since period 2, the IMB has formally approved a £16m debt facility for Castle Irwell Phase 3, a residential scheme comprising 104 new homes, which will provide a revenue return to the Council in 2023/24 of £0.25m. In addition to this, two new debt investments have been identified and progressed sufficiently for an indicative return of £0.53m in 2023/24 to be included in the forecast revenue outturn.

Net income in year expected to be paid from the Council's investment at the Lumina Village LLP of £0.44m will instead be retained in the LLP to support redevelopment costs in year.

A shortfall in returns from the Council's three joint ventures with Bruntwood of £0.97m, 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 due to the regeneration schemes currently underway on both sites. This shortfall will be met from a draw from reserves in 2023/24, with the reserve balance replenished when the sites return to surplus.

The current high interest rate environment is predicted to provide an additional £570k of net income from investments linked to variable interest rates.

The Council is also progressing with a joint venture with the GMCA to develop the former police headquarters site on Chester Road in Stretford. This scheme will provide 700 new homes, including affordable housing. To support the early set up costs for this scheme, £0.64m has been ringfenced as a contribution from the Risk Reserve.

The Risk Reserve level at the start of the year was £5.00m. This level of reserve is currently considered to be sufficient in relation to the immediate risks that the portfolio is exposed to. Therefore, the Council is making reduced contributions in 2023/24, and a net £710k will instead be used to mitigate the shortfalls in investment income against the target.

- **Other net adverse movements of £2.447m across all areas an adverse movement of £819k since period 2.** Large items within this figure includes a shortfall in Planning income of £463k, running costs of

£621k related to Section 17 (Childrens') and a general service budget capacity/efficiency target of £1.0m across all service areas. This efficiency target was increased in the 2023/24 budget to reflect a general expectation that services will underspend in all areas as a result of vacancy management and reductions in general administration such as travel and stationery supplies.

- The largest adverse movement since period 2 of £439k relates to Section 17 for children in need. As with placements the type of need required by each family can vary depending on the complexities. A review of all S17 payments will take place to assess likely future years requirements.

### **Other considerations - Contingency Budgets**

Within the estimated outturn there are several contingency budgets held back to absorb any unforeseen changes in demand for the remainder of the year. Contingency budgets of £657k and £1.10m remain in Children's and Adults client placement budgets and £0.9m remains of the £2.3m general Council Wide contingency after £1.4m of commitments having been made.

## **Revenue Budget Funding and Collection Fund**

### **1.8. Council Tax**

- 1.8.1. An estimated in year deficit of £0.6m, largely due to a substantial increase in the number of claims for Council Tax Discounts (eg single person) and exemptions resulting in a shortfall of £1.13m.
- 1.8.2. Investigations have commenced into cases for exemptions and c50% of cases have responded with updated circumstances. This has led to a slight reduction in the number of claimants. There are plans to start reviewing claims for single person discount as the number of claims is significantly greater than at budget. Investigations into the legitimacy of the remaining claims is ongoing and may reduce the pressure as the year progresses.
- 1.8.3. A favourable variance due to lower number of claims for Council Tax Support awards of £0.729m, partly as a result of higher claims for discounts above.
- 1.8.4. The additional temporary discretionary support scheme introduced in 2023/24 to support claimants not already getting 100% CTSS discount has cost £0.33m. This has been fully compensated from an additional Government Grant, resulting in a neutral impact.
- 1.8.5. The Council Tax Risk Reserve £0.5m balance will be used to offset the in year deficit should the situation not improve.
- 1.8.6. The ongoing impact of any recurrent shortfall will need to be considered when preparing the 2024/25 budget.

### **1.9. Business Rates**

- 1.9.1. As at period 4 the business rates projection is broadly in line with budget. The budget included growth in rateable value of £11.8m for the major retail refurbishments at the Trafford Centre, with sites expected to reopen early in 2023/24. Whilst some of this growth has now been included in the rateable value, a significant number of redevelopments have been delayed and are yet to be included on the rating list. It is anticipated that the redevelopments will be completed within the next few months.
- 1.9.2. As in previous years, there is a significant risk in forecasting the temporary pressures caused by delays in major refurbishments, changes and new sites at the Trafford Centre. The Business Rate Risk Reserve, which was bolstered by a further £1.0m in 2022/23, will be to smooth any timing issues in the delivery of benefits and to mitigate any unforeseen risk.

## **1.10. Earmarked Reserves**

- 1.10.1. A full review of all reserves was completed as part of the 2023/24 budget preparations and supplementary review during the 2022/23 closedown and was reported in detail in the final budget report presented to Council in February 2023 and Period 12 Outturn Report. A further update will be provided at the time the draft budget is prepared.

## **2. Outlook and Summary**

- 2.1. The economic uncertainty will continue to be felt for some time to come and must be managed alongside a significant budget gap of £17.1m in our Medium Term Financial Plan for 2024/25 to 2025/26. The budget plans for 2024/25 are being prepared and the gap for the following two years is being updated for evolving pressures such as higher inflation and themes from the 2022/23 outturn and this early monitor.
- 2.2. The adverse outturn at £1.75m which has deteriorated by £453k since period 2, remains a significant concern and it is essential that a cautious approach is maintained in managing the budget. The situation has been improved by the increased underspend due to staffing vacancies and the recently announced additional adults social Market Sustainability and Improvement Fund. However, escalating demand pressures within Childrens placements, Home to School Transport and Section 17 for Children in Need are concerning, not just for the current financial year, but are likely to compound the future budget gap.
- 2.3. Risks remain with projections for inflation, however as the year progresses there will be greater certainty in the forecasts for energy budgets and also when the final 2023 pay award is agreed. Significant contingency budgets remain in Childrens, Adults Services and Council Wide and it is possible that staffing vacancies may result in further positive movements, if the difficulties in recruitment from previous years are repeated.
- 2.4. If the current gap remains at year end, this will need to be met from the limited Budget Support Reserve or Inflation Risk Reserve. It is imperative therefore that further expenditure controls are considered once the in-year budget

monitoring position matures to try to stabilise the Council's financial position and maintain expenditure within available resources to avoid any undue call on limited earmarked reserves during 2023/24.

- 2.5. As there are still elements of uncertainty in this forecast, it is deemed too early in the year to invoke for example a complete expenditure freeze on all non-statutory expenditure. However, the Corporate Leadership Team will be considering further specific measures and management action in preparation for the period 6 monitor.
- 2.6. The following management actions and mitigating items which have already been agreed, will remain in place during the year.
- The current management action, which included a policy on vacancy management and a review of all non-essential spend will remain in place for the foreseeable future.
  - A detailed examination of areas of consistent budget underspend will be undertaken. Significant staffing underspends have been evident in the last two financial years and the vacancy factor/general budget efficiency factor was increased to reflect this. As the staffing vacancies are filled, attention needs to be paid on the adverse impact this has on the delivery of the wider vacancy factor.
  - As part of the work being undertaken by the Finance and Change Board, to provide additional focus and challenge on recurrent pressures within demand led budgets, such as Child placements and Home to School Transport. This will include a review of alternative delivery models.
  - Delivery of the 2023/24 savings programme is progressing well with 99% estimated to be achieved, however vigilance should remain in ensuring that forecasts are achieved. Particularly in those areas classed as Red or Amber on delivery risk.
- 2.7. The scale of the challenge faced means that the Council must continue to, identify significant permanent savings, lobby the Government to address the unfairness of the funding formula and maintain prudent financial management.

### **Recommendations**

It is recommended that the Executive:

- a) note the report and the estimated revenue outturn position showing a budget overspend of £1.752m;
- b) note the update on the Capital Programme as detailed in Section 6 and Annex 3.
- c) Note, within the Capital Programme, the need to review all schemes supported by internal resources to address the current high level of overprogramming. This will be reported back to Executive as part of the Period 6 budget monitoring.
- d) Note the management actions that are currently in place to mitigate the current projected overspend in 2023/24. The Corporate Leadership Team will consider further measures that may be required to avoid any unnecessary use of earmarked reserves in advance of the Period 6 budget monitoring report when a more mature in-year position is known.

**Other Options**

No Applicable.

**Consultation**

Not Applicable

**Reasons for Recommendation**

To inform Members of the 2023/24 projected outturn figures relating to both Revenue and Capital budgets and summarise the projected outturn position for Council Tax and Business Rates.

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

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

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

# **PART 3 - Annexes**

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

The main variances contributing to the projected overspend of £1.752m, any changes to budget assumptions and associated key risks are highlighted below:

Table : Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	3,728	<p><b>Projected outturn variance £3.728m adverse, an adverse variance of £1.254m since period 2.</b></p> <p>Below is the projected position on children's placements and other budget areas.</p> <ul style="list-style-type: none"> <li>• £2.294m over budget on Children's placements (note 1);</li> <li>• £37k under budget on staffing (note 2);</li> <li>• £1.064m over budget on home to school transport (note 3).</li> <li>• £407k over budget on other running costs and income across the service (note 4);</li> </ul> <p>Children's placements are expected to overspend by £2.294m. This is an adverse movement of £714k. The reasons for this adverse movement are as follows:</p> <ul style="list-style-type: none"> <li>• £1.054m new placements</li> <li>• £640k new step ups</li> <li>• £284k delayed step downs</li> <li>• £321k price changes (including inflationary increases)</li> <li>• £96k overspend in our internal children's homes</li> </ul> <p>These are offset by £1.129m of step downs, children leaving care, income from health and £552k contingency utilised. There is £604k of contingency remaining for new placements.</p> <p>A meeting will take place next month to agree further contributions from health for the mental health and disability costs associated with some high cost placements. We are currently receiving £479k and it is assumed in the above projection that a further £500k will be secured.</p> <p>Within the overspend there is a pressure of £252k due to the increase in Foster Carers National Minimum allowance of 12.43% from 1<sup>st</sup> April 2023. This will be offset by a contribution from the Inflation Risk Reserve.</p> <p>This overspend assumes that the £1m savings target will be met. 26 children who are expected to be stepped down have been identified and will be closely monitored throughout the year.</p>



The number of children as at the end of July 2023 compared to those at the end of May 2023 are as follows:-

- children in care 364, a decrease of 1
- child protection 217, a decrease of 20
- children in need 747, a decrease of 13

Even though numbers have reduced, cost and complexities of children coming into care outweigh the costs of those leaving care.

**Note 2**

The favourable variance in staffing is £37k. This is a favourable movement of £8k from P2. The service continues with its redesign and recruitment drive during 2023/24 and it has been assumed in the projections that this will be complete this year.

**Note 3**

The projected overspend on Home to School Transport is £1.064m, this is an adverse movement of £124k from P2 due to a projected overspend in the budget for Passenger Assistants costing £74k and an additional 3 runs being contracted.

The service is revisiting all options to address this deficit and will be subject to Finance and Change scrutiny.

**Note 4**

The adverse variance in running costs and income across the service is £407k, an adverse movement of £424k, as outlined below:

-

- £122k adverse variance on Partington & Sanyu nurseries, an adverse movement of £17k from P2 due to a shortfall in income and having to use agency staff to cover posts for statutory reasons;
- £660k adverse variance in running costs, an adverse movement of £451k due to: -
  - S17 costs £621k adverse, an adverse movement of £439k. 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 will take place to assess likely future years requirements.
  - Other costs £39k adverse, an adverse movement of £12k.
- £375k favourable variance on income and minor variances, a favourable movement of £44k due to an increase in grant to

		support Youth Justice and further Stronger Families grant utilised to cover consultancy costs.
Adult Services	(308)	<p><b>Projected outturn £308k favourable variation a favourable movement of £358k from period 2.</b></p> <p>Below is the projected position on Adult clients and other budget areas.</p> <ul style="list-style-type: none"> <li>• £430k adverse variance on Adults Clients an adverse movement of £430k from period 2 (Note 1);</li> <li>• £50k adverse variance on staffing and running costs no movement (Note 2);</li> <li>• Risks (Note 3)</li> <li>• Market Sustainability and Improvement Fund (Note 4).</li> </ul> <p><b>Note 1</b> Adults Clients projected £430k adverse variation.</p> <p>This budget remains high in complexity and volatility as it is in part driven by wider system pressures in health in addition to direct adult social care demands: -</p> <ul style="list-style-type: none"> <li>• supporting the NHS with rapid discharges from hospitals as they deal with the backlog of patients waiting treatments</li> <li>• increased mental health support</li> <li>• assessing the impact of the cost of living and inflationary pressures on client contributions.</li> <li>• an aging population within the borough and demographic pressures</li> <li>• workforce pressures across the health and social care system.</li> </ul> <p>Packages of Care – The projected outturn position is a £430k adverse variance, within this projection is a contingency of £1.1m to mitigate rising costs as a result of increasing complexity of existing clients and demand from new clients.</p> <p>Savings – The savings target for 23/24 is £1.131m and £343k have been achieved to date. It is assumed that the savings target will be achieved in full by the end of the financial year.</p> <p>Discharge to Assess –The government announced additional funding with effect from 1 April 2023 for Adult Social Care to enable local authorities to continue to expediate hospital discharges, the Trafford locality received an allocation of £2.197m to be utilised to maintain capacity in Discharge to Assess Beds and temporary homecare until the 31 March 2024. In addition, the Council has elected to direct a further £1.289m of funding towards this programme meaning the total budget for 23/24 amounts to £3.486m.</p>

It is anticipated that this budget will be utilised in full by the end of the financial year.

**Note 2**

The projected outturn position for staffing and running costs is a £50k adverse variance due to projected expenditure in excess of budget on running costs. Within the £50k variance is an assumption that the £955k vacancy factor included within the budget will be achieved in full by the end of the financial year, £427k of this target has been achieved to date.

Also included within the £50k net variance is £132k of funding from Homes for Ukraine and a £404k contribution from reserves in the Internal supported living service.

Savings – The savings target for 23/24 is £50k. It is assumed that the savings target will be achieved in full by the end of the financial year.

Internal Supported Living Service – Work continues to progress to assess the cost of a safe staffing establishment aligned with the individual needs of the whole cohort for 2023/24 and future years. As at period 2 the service is forecasting an overspend of £404k this is mitigated by a planned contribution from reserves in this financial year.

**Note 3**

Ascot House is a Council owned building that is currently dual purpose. The Council operates a 9 bedded Discharge to Assess unit within the building, in addition to this there is a 36 bedded Intermediate care service operated by Manchester Foundation Trust and Commissioned by NHS Trafford Integrated Care Board (currently operating at 27 bed capacity).

The Intermediate Care service is operated on a pass through arrangement whereby a large proportion of the overall staffing costs are recharged to Manchester Foundation Trust (MFT) by the Council. Due to significant financial pressures MFT have signalled their intention to limit pass through costs from the Council to £1.854m in this financial year, projections suggest that the Council expects to incur £2.227m in costs relating to the service leaving a pressure of £373k presenting a risk to the Council as there is currently no agreement on how this is to be met.

The Council will continue to seek a resolution to this matter with partners and an update will be provided in the P6 report.

**Note 4**

£788k favourable variance.

		<p>The government announced the Market Sustainability and Improvement Fund (workforce) on the 28 July 2023. The announcement confirmed an additional allocation of £1.438m for the Council. The grant has target areas as part of the fund conditions, at least one of which must be identified for use of the funding:</p> <ul style="list-style-type: none"> <li>• increasing fee rates paid to adult social care providers in local areas</li> <li>• increasing adult social care workforce capacity and retention</li> <li>• reducing adult social care waiting times</li> </ul> <p>The Council will apply the fund to partially offset costs of uplifts confirmed in the Fair Price for Care approach, support pressures on Mental Health and Learning Disability providers and to enhance the Council's Social Care and Commissioning workforce. In addition, following successful implementation of an overtime scheme for social workers to reduce waiting times, this will be further continued. £650k has been allocated to new commitments with the remaining £788k being used to offset the costs of provider uplifts applied at the start of the financial year. All of this supports the three target areas.</p>
Public Health	(36)	Public Health is forecasting a £36k favourable variance as at period 4 no movement from period 2. This is due to projected expenditure on staffing below budget of (£40k) offset by minor variations in running costs of £4k.
Place	659	<p><b>Total forecast outturn variance £659k adverse, a favourable movement of £(240)k.</b></p> <p><b>Place Revenue Budget £871k adverse, and adverse movement of £53k:</b></p> <ul style="list-style-type: none"> <li>• There are increased property running costs of £135k (increased by £24k), including Sale Waterside PFI and Trafford Town Hall security. Other running costs are £50k above budget (increased by £18k). Energy costs are £161k below expected due to current market conditions being more favourable than previously predicted when the budget was set (improved by a further £57k).</li> <li>• Street Lighting energy costs - The Council is expecting in-year savings from the new Street lighting energy contract procured from this April. This is due market conditions being more favourable than when the budget was set and also the ability to take advantage of this by purchasing energy flexibly under the new contract. Bills from April are currently being reviewed with the supplier, and also the final bills for 22/23 with the previous supplier. An update will be provided during the next monitoring report.</li> </ul>

		<ul style="list-style-type: none"> <li>• There are projected shortfalls in income of £221k in Parking Services (due to the delayed opening of Regent Road car park)(increased by £1k), £93k Building Control (increased by £51k) and £83k from rental income at Altrincham Market and operational buildings (reduced by £14k).</li> <li>• There are also estates savings of £153k not expected to be achieved in full in the current year (improved by £27k), and £60k from the installation of EV points which has now been rephased to 2024/25.</li> <li>• Additional projected income above budget includes Altair £120k, Manchester Airport £51k and other let estate £25k.</li> <li>• There is an overall staffing underspend of £300k relating to vacancies across the year (excluding the ringfenced Planning account), which is approximately 3.5% of the staffing budget. This is offset by a Directorate-wide efficiency saving of £346k – giving a net shortfall of £46k.</li> <li>• The Planning service is a ringfenced account and has a shortfall in income of £463k which is offset by an underspend of £76k in staffing, running costs and reserve contributions. This is a forecast net overspend of £387k for the year (increased by £57k).</li> </ul> <p><b>Strategic Investment Programme £(212)k favourable, a favourable movement of £(293)k:</b></p> <ul style="list-style-type: none"> <li>• The investments made through the Council’s Asset Investment Fund are forecast to generate a net benefit to the revenue budget in 2023/24 of £5.90m, which is £212k above the budgeted target. The key variances and movements are included in the Asset Investment Fund section of this report.</li> </ul>
Strategy & Resources	(56)	<p><b>Total forecast outturn variance £(56)k favourable, a favourable movement of £(179)k.</b></p> <ul style="list-style-type: none"> <li>• Staff costs are estimated to be £481k less than budget across the Directorate based on actual and forecast vacancies across the whole year, which is 4.8% of the total staffing budget. This is £206k higher than last reported;</li> <li>• Running costs are forecast to be £20k overspent, which is an increase of £17k;</li> <li>• Income is projected to be £9k above budget (reduced by £10k). The overall projection includes £47k additional income from Bereavement Services offset by shortfalls of £19k in Catering and Cleaning trading services and £17k Waterside Arts Centre. Other income is £11k above budget.</li> </ul>

		These are offset by the budgeted Directorate-wide efficiency saving target of £414k.
Finance & Systems	186	<p><b>Total forecast outturn variance £186k adverse, an adverse movement of £145k.</b></p> <ul style="list-style-type: none"> <li>• Staff costs are estimated to be £113k less than budget across the Directorate based on actual and forecast vacancies for the whole year, which is 1.2% of the total staffing budget. This is a favourable movement of £44k;</li> <li>• Running costs are forecast to be overspent by £126k across all services, which is an adverse movement of £165k. This movement includes £110k relating to Trafford Assist as above, which is due to continuing additional uptake in demand. There is also £52k relating to an ICT contract renewal in Finance Services;</li> <li>• Income is projected to be £76k above budget (reduced by £24k). The reduction mainly relates to NNDR cost of collection grant. The additional income includes £100k confirmed from CCG for ICT services which had been expected to reduce in the budget.</li> </ul> <p>These are offset by the budgeted Directorate-wide efficiency saving target of £249k.</p>

Legal and Governance	(16)	<p><b>Total forecast outturn variance £(16)k favourable, an adverse movement of £15k.</b></p> <ul style="list-style-type: none"> <li>• Staff costs are estimated to be £159k below budget and includes for agency costs covering vacancies and service demand. This has increased by £27k;</li> <li>• Running costs are projected to be overspent by £118k and includes local election costs being higher than expected associated with additional workload demand from the “all out” election in May. The overspend has increased by £40k which includes for additional court costs and legal fees.</li> </ul> <p>There is a projected shortfall in income of £25k compared to budget (increased by £2k). This includes a £40k shortfall in land charges and £8k in capital fee income which is related to staff vacancies. This is offset by SLA income of £23k above budget assumptions.</p>
Council-wide	(2,405)	<p><b>Projected Outturn variance, £2.405m favourable, a favourable movement of £184k since period 2.</b></p> <p><b>Pay Award</b></p> <p>The cost of the 2023/24 local government pay award is still unknown. The original offer made by Employers of an average 5.87% was originally rejected by the Trade Union and a ballot of Trade Union members was undertaken between 23 May 2023 and 4 July 2023 to determine whether to take strike action. Following the ballot the union has decided not to take any industrial action and a final decision on whether to accept the original offer is due within the next few weeks.</p> <p>The Council’s budget agreed in February 2023 includes for 4% in Services and a further Contingency in Council-wide of £950k has also been set aside, approximating to a further 1.1%.</p> <p>Early indications are that the pay offer will be accepted, and this has been reflected in the Period 4 outturn at an additional pressure of £0.7m..</p> <p>The Inflation Risk Reserve was also increased by £1.5m in 2023/24 (equivalent to a further 1.7%) in order to help smooth the impact of the pressure caused by the 2023/24 pay award should it be needed.</p> <p><b>Treasury Management</b></p> <p>Due to the continuing high interest environment, the Council has continued to manage its cash balances to limit costly borrowing while investing any surplus cash to generate investment income to support the revenue budget. This careful cash management is forecast to delay the requirement to take on new external borrowing</p>

until later in the year, which will provide a saving of £2.238m in financing costs in 2022/23. This is a £225k favourable variance from period 2, due to a further increase in the forecast income from the Council's short term investments.

### **Housing Benefit**

The Housing Benefit budget has a projected Outturn overspend (payments made, less subsidy and overpayment recovery) of £237k,

Specific work is on-going to reduce this overspend, in particular by identifying where 'Technical errors' have been misclassified as 'LA Errors' in previous years' Subsidy claims, as these attract less subsidy.

An additional £400k was transferred to the Housing Benefit Overpayments Reserve at the end of 2022/23 to cover this, giving a total reserve of £900k to cover any pressure in the 2023/24 budget. There is therefore no impact on the Council-wide projected outturn figure above.

### **Coroner's Budget**

The projected costs of Trafford's share of the South Manchester Coroners' service is currently expected to be £41k higher than budget.

### **Contingencies**

The Council-wide budget includes a general contingency of £2.3m. There are currently a number of commitments totalling £1.4m, leaving an uncommitted balance of £0.9m, a reduction of £0.6m since period 2.

### **Enhanced Pension payments**

Recurrent savings relating to enhanced pension costs were previously highlighted in the 2022/23 Outturn report. And these savings have been included in our budget plans for 2024/25.

Estimated savings for 2023/24 of £150k are included in the Council-wide figures above, no change since period 2.

### **Government Grants**

The final announcement for the 2023/24 Services Grant was received in June 2023 at £1,472,905, which is £58k above budget, no change since period 2.

### **Savings**

The Council-wide budget includes a saving of £200k for Digital Strategy, which includes £100k not achieved in 2022/23. Timescales for the Council's Digital Strategy programme have been delayed pending further development of the platform. Mitigating savings have been identified within the CRM licenses budget and will be used to offset the savings shortfall in the current year.



Dedicated Schools Budget	5,257	<b>Projected Outturn variance, £5.257m adverse, an adverse movement of £887k since period 2.</b>			
		<b>P4 monitoring</b>	<b>Grant £000</b>	<b>Forecast outturn £000</b>	<b>P4 Variance £000</b>
		Schools Block	110,214	110,214	0
		Central Schools Services Block	1,503	1,466	(37)
		High Needs Block	34,439	39,733	5,294
		Early Years Block	17,848	17,848	0
		<b>TOTAL DSG</b>	<b>164,004</b>	<b>169,261</b>	<b>5,257</b>
<b>The DSG allocation has been reduced by £1.151m. This is broken down as follows:</b>					
<ul style="list-style-type: none"> <li>• <b>£617k reduction for the EY Block adjustment to account for the January 2023 census numbers; and</b></li> <li>• <b>£534k reduction for the Special Free School funding adjustment (this is in dispute).</b></li> </ul>					
The DSG is expected to overspend by £5.257m, this is an adverse movement of £888k from P2.					
The High Needs Block (HNB) is expected to overspend on the budget set by £2.887m however, the budget set was £1.872m more than the grant allocation received, therefore the in-year overspend is £4.608m. In addition, the HNB grant allocation has been reduced by £535k with regard to the special free school funding adjustment. This is an adverse variance of £898k from P2.					
This is analysed in more detail below:					
<ul style="list-style-type: none"> <li>• Special Schools - £196k adverse - this is an adverse movement from P2 of £151k due to 12 additional places and top-up being funded at the Orchards and Egerton from September 2023;</li> <li>• Special Free School funding adjustment - £535k adverse (in dispute with the ESFA);</li> <li>• Education Health Care Plans (EHCPs) £1.258m adverse – this is an adverse movement from P2 of £200k due to the completion of the Summer Term adjustments to schools (£49k) and a projected overspend on the SEN Inclusion Fund of £151k which pays for top-up grants issued by EY SEND Panel for SEN Support children in PVI settings and mainstream school nursery classes and up to 36 part-time special school nursery assessment places across Orchards, Pictor and Delamere;</li> </ul>					

- Out of Borough Placements £1.260m adverse – this is an adverse movement of £42k since P2 due to 14 new placements costing £108k offset by leavers;
- £239k further education placements – no movement - funding an additional 40 placements at £6k each with no additional grant. Additional funding in the current formula is not provided by central government for any increases in 19-25 year olds;
- This is offset by a minor favourable variance of £66k, a favourable movement of £29k.

There is a negative HNB reserve of £4.138m, leaving an overall deficit of £9.432m.

<b>DSG Reserve</b>	<b>1 April 2023 £000's</b>	<b>P4 Forecast outturn £000's</b>	<b>31 March 2024 Projection £000's</b>
<b>Schools Block (SB)</b>	(2,329)	0	(2,329)
<b>Central Schools Services Block (CSSB)</b>	(335)	(37)	(372)
<b>High Needs Block (HNB)</b>	4,138	5,294	9,432
<b>Early Years Block (EYB)</b>	1	0	1
<b>TOTAL DSG Reserve (surplus)/deficit</b>	<b>1,475</b>	<b>5,257</b>	<b>6,732</b>

It is expected that LA's balance their in year spending by 2025/26, there is a real risk that Trafford will not be able to do that.

There is the risk that the number of Education Health Care Plans (EHCPs) will continue to grow and dependence on costly out of borough places will increase as capacity in borough isn't sufficient, which will impact on our ability to reduce the deficit.

Work continues to take place on the DSG deficit management plan with proposals and options being discussed with the DfE. The plan has been scrutinised by the SEND Board and will be presented to Funding Forum and the Finance and Change Board at the next opportunity.



Savings Programme

ANNEX 2

Theme/Title	Service Area	Budget 2023/24 £000's	Outturn Projection 2023/24 £000's	Gross Variance 2023/24 P4 £000's	Mitigating action undertaken in year £000's	Overall net variance in year after mitigating action £000's	Description of Saving	Financial RAG 23/24	Financial RAG 24/25	Financial RAG comments
Children Placements	Children's	(1,000)	(1,000)	0	0	0	A review of demand and placements for looked after children	RED	RED	The 2023/24 savings should be achieved as 26 young people have been identified to step down. However to note there is a pressure for new placements.
Staffing Efficiencies Children's Services	Children's	(45)	(45)	0	0	0	Review of staffing establishment outside of the main redesign programme	GREEN	GREEN	The saving has been identified.
Troubled Families Funding/Strengthening Families	Children's	(275)	(275)	0	0	0	Continuation of the service redesign	GREEN	GREEN	The saving will be achieved against the additional Supporting Families grant
VCSFE service/children's commissioning	Children's	(63)	(63)	0	0	0	Undertake strategic needs assessment of commissioned services and offer	GREEN	GREEN	The saving will be achieved.
Increase Vacancy Factor/Budget utilisation	Children's	(134)	(134)	0	0	0	Increase vacancy management period across all services	GREEN	RED	Although there are currently vacancies across the service, the next stage of the restructure will be completed this year so will make future savings unlikely.

Weight Management	Adults	(31)	(31)	0	0	0	Reduce the prevalence of community obesity and thereby reduce long-term health conditions that result and the support required.	GREEN	GREEN	Savings continue to be achieved.
Bad debt provision - Adults Social Care	Adults	(50)	(50)	0	0	0	Review level of contribution to bad debt provision	AMBER	AMBER	The ASC bad debt position is monitored on an ongoing basis and is subject to fluctuation. It will not be known until year end reviews whether the target is achievable.
Homecare	Adults	(1,000)	(1,000)	0	0	0	Rephase Council contribution once Transformation Funding ceases	GREEN	GREEN	Savings met
Demographic Growth Control	Adults	(100)	(100)	0	0	0	Demographic Growth Control	GREEN	GREEN	Savings currently met within the 2023/24 budget allocation.
Electric vehicle (EV) charging points	Place	(10)	0	10	0	10	Expand number of EV charging points on a revenue share model	RED	AMBER	Installation progressing well. Profit share model re-phased to 24/25
Strategic Investment Income	Place	(1,800)	(1,800)	0	0	0	Investment Programme - Recycling of receipts to maintain net income at achievable levels	GREEN	AMBER	Savings delivered in 2023/24. Programme remains a risk in 24/25 given the wider economic uncertainty.
Review of operational and strategic estates	Place	(80)	0	80	0	80	Efficiency review of operational estate and lease/rent reviews to ensure full cost recovery	RED	AMBER	Savings programme of works taking longer than expected - saving re-phased to 24/25

							a cross the Council's estate			
Regulatory Services - cost recovery	Place	(25)	(25)	0	0	0	The cost of safety certificates / recover more from taxi tests to increase.	GREEN	GREEN	
Reduce Place Contingency	Place	(30)	(30)	0	0	0	Removal of a contingency budget from an earlier restructure	GREEN	GREEN	
Housing Service	Place	(50)	(50)	0	0	0	Removal of temporary posts/vacancies	GREEN	GREEN	
Housing Service	Place	(100)	(100)	0	0	0	Better cost recovery from support grant	GREEN	GREEN	
Street Lighting	Place	(100)	(100)	0	0	0	Review option in relation to Trimming, 1hr warm up, cool down at start and end of day	AMBER	AMBER	Need to review impact on bills during year.
Illuminated signs / bollards	Place	(40)	(40)	0	0	0	Invest to save to declutter and de-illumination to reduce energy cost impacts	AMBER	AMBER	Need to review impact on bills during year.
Street Lighting	Place	(200)	(200)	0	0	0	Look at further options to trim earlier / later and switch off street lighting in low risk areas	AMBER	AMBER	Need to review impact on bills during year.
Unadopted highways/access roads	Place	(50)	(50)	0	0	0	Reduce budget provision	GREEN	GREEN	

Increase Vacancy Factor/Budget utilisation	Place	(241)	(241)	0	0	0	Increase vacancy management period across all services	AMBER	AMBER	Review over the year
Traded Services	Finance & Systems	(56)	(56)	0	0	0	Traded Services income - increase in contributions to offset pay and cost inflation.	GREEN	GREEN	
Review of Subscriptions	Finance & Systems	(10)	(10)	0	0	0	A range of subscriptions for external services to be reviewed	GREEN	GREEN	
Increase Vacancy Factor/Budget utilisation	Finance & Systems	(98)	(98)	0	0	0	Increase vacancy management period across all services	AMBER	AMBER	Review over the year
Traded Services	Strategy & Resources	(390)	(390)	0	0	0	Review Traded Services income - increase in charges to offset pay and cost inflation.	AMBER	AMBER	Review over the year
Change Charging basis for Modernisation Team	Strategy & Resources	(850)	(850)	0	0	0	We already charge the majority of the team to the capital programme. The flexible use of capital receipts will be used to cover all team members to continue to support efficiency and change programmes across the council for a further two years.	GREEN	GREEN	
Review of Sale Waterside Arts Centre	Strategy & Resources	(25)	(25)	0	0	0	A review of the operational effectiveness of asset.	AMBER	AMBER	Review over the year

Review Music Service	Strategy & Resources	(30)	(30)	0	0	0	Continue to remove the remaining Corporate overhead subsidy and continue with expansion of offer with a view to broadening reach	GREEN	GREEN	
Increase Vacancy Factor/Budget utilisation	Strategy & Resources	(93)	(93)	0	0	0	Increase vacancy management period across all services	AMBER	AMBER	Review over the year
Treasury Management Budget	Councilwide	(4,682)	(4,682)	0	0	0	Realignment of the Treasury Management Budget to support the latest forecast position and activity relating to borrowing and Investments	GREEN	GREEN	Saving achieved
Review of Subscriptions	Councilwide	(2)	(2)	0	0	0	A range of subscriptions for external services to be reviewed	GREEN	GREEN	Budget saving achieved
Digital Strategy	Councilwide	(100)	0	100	(100)	0	Increased use of digital technology to deliver better and more efficient services.	AMBER	AMBER	Programme delayed pending individual business cases. Mitigating action to achieve saving in 23/24 through reduction in CRM licence costs.
<b>TOTAL SAVINGS AND INCOME PROPOSALS</b>		<b>(11,760)</b>	<b>(11,570)</b>	<b>190</b>	<b>(100)</b>	<b>90</b>				



**Approved Budget**

1. The overall value of the indicative capital programme for 2023/24 to 2025/26 capital programme was restated in the P2 monitor to £215.28m which was an increase of £16.12m from the approved budget of £199.16m from February 2023. This was largely due to reprofiling of expenditure from 2022/23, increases in grant and removal of support for Manchester Airport – Project Mere. Details of the which were set out in the P2 monitor. The programme since been reduced by £1.18m over the three years to £214.10m, with the change set out in paragraph 4 below.
  
2. The original budget for 2023/24 was £91.49m; adding the entirety of the slippage from 2022/23 would have increased this budget to £109.42m. A review of this forecast across all service areas has now been carried out directly with service officers and the Capital Programme Board to ensure that the revised programme, now detailed within this report, is both deliverable and affordable considering such factors as:
  - 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 2022/23 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.
  
3. After the review of the programme detailed above, the revised capital programme budget for this financial year is £86.04m which is a net reduction of £23.38m. This includes expenditure of £22.20m that will be re-profiled into future years (and will be reviewed as part of the budget monitor throughout the year) and a decrease in resources of £1.18m in 2023/24. The following tables detail the movement in the revised three year programme and the current year budget (2023/24).

Details of each scheme for 2023/24 are shown in Annex 3(B).

<b>2023/2026 CAPITAL PROGRAMME</b>				
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>Total</b>
<b>DESCRIPTION</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>General Programme</b>				
As agreed in February 2023	91.49	65.80	41.87	199.16
As re-profiled in previous period	109.42	63.40	42.46	215.28
<b>Current programme (Period 4)</b>	<b>86.04</b>	<b>79.84</b>	<b>48.22</b>	<b>214.10</b>
<b>Variance from Previous Period</b>	<b>(23.38)</b>	<b>16.44</b>	<b>5.76</b>	<b>(1.18)</b>
<b>Asset Investment Strategy</b>				

As agreed in February 2023	109.09	66.59	13.58	189.26
As re-profiled in previous period	109.09	66.59	13.58	189.26
<b>Current forecast (Period 4)</b>	<b>75.82</b>	<b>43.63</b>	<b>31.70</b>	<b>151.15</b>
<b>Variance from Previous Period</b>	<b>(33.27)</b>	<b>(22.96)</b>	<b>18.12</b>	<b>38.11</b>
<b>Total Capital Programme Revised</b>	<b>161.86</b>	<b>123.47</b>	<b>79.92</b>	<b>365.25</b>

Table 1 – General Capital Programme 2023/24	P2 Revised Approved Programme £m	Current Revised Programme £m	Period Movement £m	
			Change in Funding £m	Re-Profiling to Future Years £m
<b>Service Analysis:</b>				
Children’s Services	21.12	18.83	-	(2.29)
Adult Social Care	5.31	3.02	-	(2.29)
Place	79.76	62.17	(1.18)	(16.41)
Finance & Systems	3.23	2.02	-	(1.21)
<b>General Programme Total</b>	<b>109.42</b>	<b>86.04</b>	<b>(1.18)</b>	<b>(22.20)</b>

4. The change in programme funding of (£1.18m) relates to the following;
- Local Authority Housing fund (£1.61m) decrease in line with proposed programme of delivery.
  - Affordable Housing fund - £495k net increase relating to section 106 support being awarded to L&Q (Trafford Housing Trust) to support a scheme at Lindow Road in Sale Moor.
  - Greater Manchester Full Fibre Initiative - (£69k) – this scheme is now complete; this was funded by borrowing.
5. The main areas of the re-profiling of £22.20m above are as follows;
- Children Services – (£2.29m)
    - Schools Capital Maintenance schemes – (£1.33m) – Has been profiled over the current and following financial year in line with expected delivery.
    - Devolved Formula Capital incl. Energy Efficiency Allocation (£760k) – This resource is awarded to schools which can be held up to a maximum of three years over which the school will develop and deliver a programme of works which are notified to the Council at the time.
    - Foster Carers – Registered Social Landlord (RSL) - (£200k) – An element of this scheme has been rephased to the next financial year.

Works will be undertaken when required at appropriate properties, this scheme is to provide adaptation for foster carers properties and will be delivered in partnership with RSL's.

- Adult Social Care – (£2.29m)
  - Disabled Facilities Grant – (£2.29m) of works has been rephased based on information provided about works already completed, currently being undertaken or currently in the pre-approval stage. This will be monitored throughout the year and revised accordingly if there is a change in the anticipated caseload to be delivered this financial year.
  
- Place – (£16.41m)
  - Public Building Repairs/Corporate Estate – (£660k) – A review of works currently approved is underway with different options being considered and delivery plans being developed to ensure that solutions align with wider council building strategy and deliver schemes within budget.
  - Public Sector Decarbonisation (£500k) – The final elements of the programme are being undertaken currently with some elements of rectification works being undertaken, once completed and a final account settled elements of these reprofiled resources may become available to support the wider capital programme position.
  - Altrincham Leisure Centre PSDS – acceleration of £780k – Work on this scheme is progressing well with the contractor being on site since early this year already delivering PSDS works and now undertaking the main refurbishment work. Anticipated spend has, hence, increased for this year as work has been able to be brought forward.
  - Leisure Strategy Refurbishment works – (£850k) Resources within existing approvals are to be used for essential health and safety works and maintenance across the leisure estate has been reprofiled to next year as works are identified and programmed for delivery, elements of this may be delivered in advance of current forecasts which will be revised if required.
  - Partington Sports Village – (£1.77m) has been reprofiled in line with this scheme now progressing towards final design stage with the intention to start works on site early next year.
  - Timperley Sports Club – Artificial Pitch Contribution (£350k) – The sports club have indicated that they intend to carry out the works for this scheme in spring next year, as part of the agreement they have to formally give six months' notice to the council for the funds to be drawdown and this is expected in September.
  - Football Facility Provision - (£1.23m) – Schemes are to be delivered at Broadoak School and Crossford Bridge with final cost plans being produced, once done, work is expected to start this year with completion early in the next financial year.

- Longford Stadium Resurface – (£100k) – this scheme relies on an element of match funding from the service user, and which is still subject to confirmation. Currently engagement with suppliers is taking place to obtain quotes for work once received and confirmation from Athletics clubs of the amount to be contributed works will start later in this financial year.
- Tennis Court Programme – (£216k) a pilot programme of works has now been approved funded from a combination of Section 106 contributions and LTA grant, work on the schemes will commence this year with elements being completed early in the next financial year.
- Electric Vehicle Charging Points – (£173k) 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.
- Mayors Cycling & Walking Challenge Fund – (£4.36m). A revised programme of works has now been developed and agreed with GMCA, with delivery of key elements of work now underway on Talbot Road with this expected to be completed in this financial year, the remaining resources have been reprofiled for anticipated delivery within the next financial year.
- Traffic and Transportation – (£269k) – 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 – (£2.50m) – There are significant levels of spend being undertaken in this area including surface dressing and treatment programme, bridge assessments and street lighting, with resources being utilised to ensure that schemes are delivered in a priority order.
- CRSTS – KRN Programme – (£202k) Work is well underway within this scheme with a number of elements already being completed for both the highways and structures schemes and work is progressing on the remaining elements, due to delivery challenges a small element of the remaining structure works has been reprofiled.
- Electric Street Furniture Works – (£90k), this work sits alongside works carried out for street lighting for which resources have been prioritised to deal with potential health and safety issues with the street lighting asset base.
- Parks Infrastructure Works – (£150k) a significant element of this programme relates to drainage works that need to be undertaken. work has now been completed on surveys and results are being analysed so a formal programme of works can be developed and then delivered, as a result of undertaking this exercise it has led to a slight reprofiling of the programme.

- Local Authority Housing Fund – (£2.82m) The final programme of works has now been developed with a report detailing the scheme on this Executive meetings agenda, as a result of this the profile of spend has been revised.
- CCTV Infrastructure – (£360k) – work has been undertaken to identify the requirements of this scheme with work expected to start on the delivery phase this year.
- Place Other – (£590k) – There are a small number of schemes where resources have been re-profiled.
- Finance and Systems – (£1.21m)
  - ICT programme of works – (£1.21m) – Work is currently underway on a significant proportion of the approved programme for ICT works, in particular with works progressing well on the replacement of the Council's CRM systems which will be completed in the summer of next year and network replacement. There is the need for some parts the programme to be reprofiled where either further specification work is required or there are internal resources pressures.

## Inflationary Pressures

6. Inflation still remains a major risk for the delivery of the Capital Programme with it still remaining higher than the Bank of England 2% target rate. This level of cost increases is having a clear impact on the ability to deliver projects, with a number of schemes in the programme requiring value engineering and reallocation of existing resources in order to progress schemes within budget.

For the year April 2022 to March 2023 infrastructure projects cost rose 14.1%, housing projects 10.4% and non-housing projects 8.1% all of which has had an impact on the current capital programme and development programme of works. Where possible value engineering is being undertaken as is early engagement with contractors.

Interest rate rises announced by the Bank of England are having an impact on assumed borrowing costs to support the capital programme. Since the budget was approved in February 2023 the cost of borrowing through PWLB has increased from 4.49% for a three-year loan to 5.83% for the same loan at the start of August. The increase in rates impacts on the viability of projects that are reliant on borrowing, and this will need to be taken into account when setting the size of the overall future programme.

## 2023/24 Programme Funding

7. The general capital programme is resourced by a combination of both internal and external funding and is detailed in the table below. This shows a deficit in year of £3.01m, this will need to be funded by short-term borrowing which will need to be repaid by a surplus in receipts in future years:

<b>Table 2 - Capital Programme Resources</b>	<b>Budget 2023/24</b>
	<b>£m</b>
<b>General Programme Investment</b>	<b>86.04</b>
Grants	53.53
External Contributions	4.79
Revenue and reserves	0.57
Prudential Borrowing	22.24
Forecast Capital Receipts	1.90
<b>Total Funding</b>	<b>83.03</b>
<b>Surplus / (Deficit)</b>	<b>(3.01)</b>

### **3 Year Programme Resources**

8. An element of the three-year capital programme is funded through internal resources including supported borrowing approved into the programme and capital receipts that are delivered as part of the Land Sales and Development Programme which is approved in February each year. The approved programme in February 2023 reflected an over-programmed level of £3.52m above the level of forecast capital receipts. A review of the current Land Sales and Development programme has been carried out and the over-programming is now anticipated to be £3.0m higher at £6.52m. This increase is due to the current economic environment of high inflation and slow housing value growth reducing the viability of development schemes, for the Council's own schemes and those of prospective buyers of surplus land. This also takes account of shortfalls in receipts from prior years.

This level of overprogramming is unsustainable and therefore a review of the capital programme is needed to correct this underfunding position. The outcome of the review will be reported back to the Executive as part of the period 6 budget monitoring.

As part of this review, a number of strategies will need to be employed to bring capital spend in line with available resources as below;

- Identify savings and efficiencies within those schemes currently being delivered as part of the approved Capital Programme, but it is to be noted that currently the majority of schemes are subject to inflationary pressures as previously detailed, so a significant amount of work has and is being undertaken to ensure schemes are delivered within existing approvals.
- Identify additional assets to either dispose of or develop, although it is to be noted that as the council's asset base reduces these opportunities are significantly reducing.
- Borrow additional resources to fund the overprogramming however this would increase revenue budget pressure on the Council.
- Remove from the programme schemes supported by flexible resources which have not yet reached contractual commitment stage. It is to be noted that the majority of expenditure from flexible resources is used to fund the council asset base, including buildings, highway and ICT infrastructure so the impact of any removal of resources for these areas will need to be considered in line with potential health and safety issues, service delivery and achieving the council priorities.

### **Asset Investment Fund**

9. 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 £350.3m, of which £284.2m has currently been expended.

10. The balance of the approved £500m which is available for further investment is £149.7m (Table 5 below)



Table 5: Asset Investment Fund	Prior Years	Repayments	Actual Spend 2023/24	Future Years Commitment	Total £m
	Spend £m	£m	£m	£m	
<b>Total Investment Fund</b>					<b>500</b>
<b>Property Purchase:</b>					
Sonova House, Warrington	12.2	-		-	12.2
DSG, Preston	17.4	-		-	17.4
Grafton Centre incl. Travelodge Hotel, Altrincham	10.8	-		-	10.8
The Fort, Wigan	13.9	-		-	13.9
Sainsbury's, Altrincham	25.6	-		-	25.6
<b>Sub Total</b>	<b>79.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>79.9</b>
<b>Property Development:</b>					
Sale Magistrates Court	6.4	-	(0.0)	-	6.4
Brown Street, Hale	9.2	(6.1)	0.1	-	3.0
Former sorting office, Lacy Street, Stretford	0.9	-	0.0	-	0.9
GMP Site, Chester Road, Old Trafford	0.0	-	0.0	0.6	0.6
Care Home Purchase & Remediation	2.4	-	0.1	0.6	3.0
Tamworth	0.2	-		0.3	0.4
Various Development Sites	0.6	0.0	0.3	0.0	0.9
<b>Sub Total</b>	<b>19.7</b>	<b>(6.1)</b>	<b>0.5</b>	<b>1.5</b>	<b>15.3</b>
<b>Equity:</b>					
Stretford Mall, Equity	9.3	-		-	9.3
Stamford Quarter, Equity	20.0	-	1.8	3.4	25.2
K Site, Stretford Equity	11.7	-	0.7	(0.2)	12.3
<b>Sub Total</b>	<b>41.0</b>	<b>0.0</b>	<b>2.6</b>	<b>3.2</b>	<b>46.8</b>
<b>Development Debt:</b>					
Bruntwood; K site	11.5	-	0.7	(0.0)	12.3
Bruntwood; Stamford Qtr./Stretford Mall	29.3	-	1.8	3.4	34.6
CIS Building, Manchester	60.0	(25.8)		-	34.2
Castle Irwell, Salford	19.6	(19.6)		-	0.0
Castle Irwell, Salford – Phase 2	11.0	-		0.4	11.4
Castle Irwell, Salford – Phase 3	0.0		0.0	16.0	16.0
Hale Library	3.8	-	0.5	0.5	4.8
Network Space, Broadheath	6.7	-	5.7	9.1	21.5
Sunlight House	22.2	-		4.8	27.0
Barton Dock Road, Trafford Park	3.1	-	4.0	4.8	11.9

One Victoria	0.0	0.0	0.0	22.6	22.6
<b>Sub Total</b>	<b>167.3</b>	<b>(45.4)</b>	<b>12.7</b>	<b>61.6</b>	<b>196.3</b>
<b>Total Capital Investment</b>	<b>307.9</b>	<b>(51.5)</b>	<b>15.7</b>	<b>66.3</b>	<b>338.3</b>
Albert Estate Investment	17.6	(5.6)		-	12.0
<b>Total Investment</b>	<b>325.6</b>	<b>(57.1)</b>	<b>15.7</b>	<b>66.3</b>	<b>350.3</b>
<b>Balance available</b>					<b>149.7</b>

11. These investments are forecast to generate a net benefit to the revenue budget in 2023/24 of £5.90m, a favourable variance of £0.21m compared to the budget net target.

### **Key Variances**

- The 2023/24 budget assumes additional net income of £1.6m from schemes that are yet to be committed to. This figure represents the recycling of funds from schemes that have matured and been repaid. As part of this recycling challenge, the IMB has agreed to provide a £16m debt facility for Castle Irwell Phase 3, a residential scheme building 104 new homes, which will provide a revenue return to the Council in 2023/24 of £0.25m. In addition to this, two new debt investments have been identified and progressed sufficiently for an indicative return of £0.53m in 2023/24 to be included in the forecast revenue outturn. These two 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.
- Net income in year expected to be paid from the Council's investment at the Lumina Village LLP of £0.44m will instead be retained in the LLP to support redevelopment costs in year.
- A shortfall in returns from the Council's three joint ventures with Bruntwood of £0.97m, 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 due to the regeneration schemes currently underway on both sites. This shortfall will be met from a draw from reserves in 2023/24, with the reserve balance replenished when the sites return to surplus.
- Higher returns to the value of £0.57m on debt facilities which are linked to variable interest rates.
- The Council is also progressing with a joint venture with the GMCA to develop the former police headquarters site on Chester Road in Stretford. This scheme will provide 700 new homes, including affordable housing. To support the early set up costs for this scheme, £0.64m has been ringfenced as a contribution from the Risk Reserve.

- The Risk Reserve level at the start of the year was £5.00m. 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 2023/24 and £0.71m will instead be used as part of the mitigation of the forecasted income pressures.

<b>Risk Reserve B/F</b>	<b>£5.00m</b>
Town centre assets borrowing costs	(£0.97m)
Former GMP Site set up costs	(£0.64m)
<b>Risk Reserve C/F</b>	<b>£3.40m</b>

### **Issues / Risks**

12. A key risk is the ability to deliver the revised capital programme in 2023/24, and this will continue to be closely monitored and reported throughout the year and as any significant issues may arise.
13. 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.

Annex 3 (B)

2023/2024 CAPITAL PROGRAMME			
	P2 Approved 2023/24	P4 Revised 2023/24	Variance
DESCRIPTION	£m	£m	£m
<b>Schools</b>			
Basic Need – School Places	0.85	0.85	0.00
Firs Primary School	0.70	0.70	0.00
Willows Primary School	1.61	1.61	0.00
Templemoor Infant School	2.09	2.09	0.00
Moorlands Junior School	2.75	2.75	0.00
Altrincham College	1.60	1.60	0.00
School Access Initiative	0.12	0.12	0.00
Devolved Formula Capital	1.73	0.97	-0.76
Capital Maintenance Grant	5.50	4.17	-1.33
SEND Capital	3.65	3.65	0.00
<b>Sub-total</b>	<b>20.60</b>	<b>18.51</b>	<b>-2.09</b>
<b>Children's Services</b>			
Foster Carers – Adaptations to Registered Social Landlord Properties	0.35	0.15	-0.20
Children Services – Data Capture	0.17	0.17	0.00
<b>Sub-total</b>	<b>0.52</b>	<b>0.32</b>	<b>-0.20</b>
<b>Adults Social Care</b>			
Disabled Facility Grants	4.98	2.69	-2.29
Assistive Technology/Technology Innovation	0.33	0.33	0.00
<b>Sub-total</b>	<b>5.31</b>	<b>3.02</b>	<b>-2.29</b>
<b>Place</b>			
Town Centres Loans Fund	0.14	0.14	0.00
Altrincham Town Centre – Public Realm	1.35	1.38	0.03
Greater Manchester Full Fibre	0.07	0.00	-0.07
Market Street Altrincham	0.24	0.00	-0.24
Future High Street Fund	13.63	13.64	0.01
Public Building Repairs & Compliance Prog	1.01	0.80	-0.21
Sale Waterside/ Trafford Town Hall Improvements incl. Update Working Arrangements	0.16	0.07	-0.09
Watling Gate – Preservation/Conservation	0.16	0.00	-0.16
Estates Savings Requirements	0.15	0.03	-0.12
De-Carbonisation Programme	0.59	0.09	-0.50
Corporate Building Security Review	0.20	0.12	-0.08
Install UPS and Fuel Fill Point at Trafford Town Hall	0.02	0.02	0.00
Altrincham Leisure Centre incl. PSDS	14.89	15.67	0.78

Leisure Strategy – Refurbishment and Essential Works	1.40	0.55	-0.85
Partington Sports Village – Levelling Up Fund	2.77	1.00	-1.77
Football Facility Provision	2.18	0.95	-1.23
Timperley Sports Club - Artificial Pitch	0.35	0.00	-0.35
Longford Park Sports – Track Replacement	0.53	0.43	-0.10
Parks - Tennis Courts Programme	0.47	0.25	-0.22
Integrated Transport Schemes	1.07	0.80	-0.27
Mayors Cycling and Walking Challenge Fund	10.35	5.99	-4.36
Residents Parking Scheme	0.11	0.06	-0.05
Boroughwide – Boundary / Village Entry Signs	0.10	0.05	-0.05
Electric Vehicle Charging Points	0.22	0.05	-0.17
Active Travel	0.40	0.40	0.00
Moving Traffic Offences - Boroughwide Cameras	0.17	0.17	0.00
Tree Unit - Insurance Audit IT requirements	0.04	0.04	0.00
Highways Structural Maintenance	5.57	3.53	-2.04
Surface Dressing & Treatment Programme	3.00	3.00	0.00
CRSTS - Key Route Network Programme	2.27	2.07	-0.20
Highways Tree Programme	0.07	0.07	0.00
Park Map - ICT Upgrade	0.03	0.03	0.00
Street Lighting	0.68	0.68	0.00
Electric Street Furniture Replacement	0.13	0.04	-0.09
Bridge Assessments and Strengthening	0.98	0.52	-0.46
Carrington Junction and Relief Road	4.87	4.87	0.00
Parks Infrastructure	0.41	0.26	-0.15
Play Area Refurbishment	0.15	0.17	0.02
Longford Park, Stretford: Heritage Lottery Fund Bid Support incl. Section 106	0.14	0.14	0.00
Country Infrastructure	0.14	0.10	-0.04
Allotments Infrastructure Programme	0.04	0.04	0.00
Green Flag Parks - Rainwater Harvesting	0.05	0.05	0.00
Parks & Open Space, Outdoor Sports & City Of Trees – S.106 Funded	0.20	0.04	-0.16
Parking Services	0.22	0.11	-0.11
Assistance to Owner Occupiers	0.01	0.01	0.00
Housing Standards / Empty Property Initiatives	0.01	0.01	0.00
Local Authority Housing Fund	7.42	3.00	-4.42
Affordable Housing Fund	0.05	0.54	0.49
CCTV Infrastructure and Fly-tipping Prevention	0.55	0.19	-0.36
<b>Sub-total</b>	<b>79.76</b>	<b>62.17</b>	<b>-17.59</b>
<b>Finance &amp; Systems</b>			
Systems & Data Architecture	0.09	0.09	0.00
Business Intelligence - Data Warehouse Solution	0.16	0.16	0.00
Office 365 - Implementation, training etc.	0.11	0.11	0.00
Windows 10 Implementation - Additional Devices	0.03	0.03	0.00
IT and Digital Service Transformation	0.04	0.04	0.00
Networking Infrastructure	0.06	0.06	0.00
Telephony System / Disaster Recovery (initial Phase)	0.05	0.05	0.00

ICT System Disaster Recovery	0.04	0.04	0.00
Digital Inclusion	0.03	0.03	0.00
Development / Low Code Solution	0.13	0.13	0.00
CRM - Update/Replacement	1.46	0.75	-0.71
Digital and Hardware Investment	0.20	0.00	-0.20
Managed Print Service	0.23	0.23	0.00
Local Full Fibre Networks WAN Interconnections	0.04	0.04	0.00
SAP migration and Landscape	0.02	0.02	0.00
Unsupported Server O/S Migration	0.11	0.01	-0.10
Information Management Services for Regulatory Services	0.43	0.23	-0.20
<b>Sub-total</b>	<b>3.23</b>	<b>2.02</b>	<b>-1.21</b>
<b>GENERAL PROGRAMME TOTAL</b>	<b>109.42</b>	<b>86.04</b>	<b>-23.38</b>

## **Prudential Indicators – 2023/24**

## **Annex 3 (C)**

The Prudential Code for Capital Finance in Local Authority was 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. The objectives of the Prudential Code and indicators are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and to support and record local decision making in manner that is publicly accountable.

The prudential indicators cover the three areas in which the Council is required to report and monitor; Capital Expenditure, External Debt, and Affordability. The indicators are approved and set by the Council in February each year as part of the wider budget setting process. These indicators are then reviewed and restated during the year as part of the periodical budget monitoring.

### **Summary as at Period 4**

#### **Capital Expenditure Indicators**

Since February, the updated indicators for Capital Expenditure show a decrease £38.97m in capital spend in 2023/24. This is in-line with the reprofiling of spend within the programme, as detailed within this report, as certain schemes will now incur costs in later years. The expenditure for the Investment Strategy shows a similar movement as investments have been reprofiled to match the cashflows of ongoing property developments which the Strategy is funding, in addition to the new investments, approved by IMB, having the majority of their expenditure in the later years of the programme.

#### **External debt indicators**

The External Debt indicators for Period 4 are confirmations that the Council are operating within the agreed boundaries for Treasury Management activity as set by Council in February.

#### **Affordability indicators**

The 'Finance Costs to Net Revenue Stream' indicator has been reassessed since February and the new forecast has been calculated on a different basis than the figures previously presented. This recalculation has been done to bring the indicator in-line more accurately with the intention of the Prudential Code. The new forecast for 2023/24 is a negative 0.7% due to the inflow of interest payments to the Council, i.e. investment income, being higher the outflow of interest payments, i.e. the cost of external borrowing. This is likely to change in future years as the Council's ability to utilise surplus cash balances to avoid additional borrowing will be reduced as the Capital Programme and Asset Investment Strategy commitments increase.

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 – Capital Expenditure	2023/24			2024/25	2025/26
	Original Forecast	Current Forecast	Variance	Forecast	Forecast
	£m	£m	£m	£m	£m
<b>Period 4 2023/24</b>					
<b>Capital Expenditure</b>					
Capital expenditure - General Programme	91.49	86.04	(5.45)	79.84	48.22
Capital expenditure - Investment Strategy	109.09	75.82	(33.27)	43.63	31.70
<b>Capital expenditure - Total</b>	<b>200.83</b>	<b>161.86</b>	<b>(38.97)</b>	<b>123.47</b>	<b>79.92</b>
<b>Capital Financing Requirement (CFR)</b>	<b>579.09</b>	<b>452.65</b>	<b>(126.44)</b>	<b>464.64</b>	<b>491.49</b>

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 -	2023/24		2024/25	2025/26
Period 4 2023/24	Approved Limit	Current Forecast	Approved Limit	Approved Limit
	£m		£m	£m
<b>External Debt</b>				
Authorised limit for external debt - Capital Programme	240.00	Within Limit	250	260
Authorised limit for external debt - Investment Strategy	375.00	Within Limit	450	475
Authorised limit for external debt - Other long-term liabilities	3.40	Within Limit	3.0	2.6
<b>Authorised limit for external debt - Total</b>	<b>618.40</b>	<b>Within Limit</b>	<b>703.0</b>	<b>737.6</b>
Operational boundary for external debt - Capital Programme	220.00	Within Limit	230	240
Operational boundary for external debt - Investment Strategy	375.00	Within Limit	450	475
Operational boundary for external debt - Other long-term liabilities	3.40	Within Limit	3.0	2.6
<b>Operational boundary for external debt - Total</b>	<b>598.40</b>	<b>Within Limit</b>	<b>683</b>	<b>717.6</b>
Gross debt and the capital financing requirement (CFR) (*)		Within Limit		
<b>Actual external debt (£m)</b>		<b>YR End</b>		

(\*) Gross debt should be below the CFR to be within limit. This indicator will be updated at year end 2023/24. The latest available figures based on actuals at 31<sup>st</sup> March 2023, show the CFR of £412.0m and External Debt of £320.6m.

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 2023/24	2023/24			2024/25	2025/26
	Original Forecast	Current Forecast	Variance	Forecast	Forecast
	%	%	%	%	%
<b>Affordability</b>					
Financing Costs to net revenue stream - Original	3.4%	1.9%	-1.5%		
Financing Costs to net revenue stream - Recalculation*		-0.7%**	N/A	3.7%	4.4%
Net Income for commercial and service investments to net revenue stream	8.5%	8.1%	-0.4%	6.5%	6.2%

\*The ‘Finance Costs to Net Revenue Stream’ PI has been reassessed and the new forecast has been calculated on a different basis than the figures presented in the February Budget Report. This recalculation has been done to bring the indicator in-line more accurately with the intention of the Prudential Code.

\*\*The forecast for 2023/24 is negative due to the inflow of interest payments to the Council, i.e. investment income, being higher the outflow of interest payments, i.e. cost of external borrowing. This is likely to change in future years as the Council's ability to utilise surplus cash balances to avoid additional borrowing will be reduced as the Capital Programme and Asset Investment Strategy commitments increase.

## Local indicators

Local Indicators are indicators that are not statutorily required but are included in the Council's suite of capital indicators to provide additional transparency and reporting information. The indicators below relate to forecast activity and performance in the Council's Asset Investment Strategy (AIS). The rolling investment nature of the AIS means that income is forecast to decrease in later years as investments mature, to be replaced by new investments within the pipeline yet to be agreed.

The Council has previously used income from its investments to contribute to a Risk Reserve, which had a balance of £5.05m at the end of 2022/23. Over the next three years, this reserve will be used to mitigate against income shortfalls from the Stretford Mall and Stamford Quarter LLPs as trading is impacted by the ongoing regeneration works. Once work is complete, income is forecast to recover, and surpluses can be used to replenish the fund.

Local Indicators 2023 to 2026	2023/24	2024/25	2025/26
	£m	£m	£m
<b>Asset investment Strategy</b>			
Gross Income	14.8	11.8	11.3
Financing Costs	9.2	8.3	7.6
Net contributions to/(from) Risk Reserve	(1.6)	(0.7)	(0.2)
Forecast Risk reserve balance at year end	3.4	2.7	2.5