

# Public Document Pack



## TRAFFORD COUNCIL

10 February 2015

Trafford Town Hall  
Talbot Road  
Stretford  
M32 0TH

Dear Councillor,

Your attendance is requested at a meeting of the Council of the Borough of Trafford on **WEDNESDAY, 18 FEBRUARY 2015**, at **7.00 P.M.** in the **COUNCIL CHAMBER, TRAFFORD TOWN HALL, TALBOT ROAD, STRETFORD**, for the transaction of the business set out below:

- |  | <b>Pages</b> |
|--|--------------|
| <b>1. Minutes</b>  |              |
| To approve as a correct record the Minutes of the Meeting of the Council held on 21 January 2015 for signature by the Mayor as Chairman.   | 1 - 10       |
| <b>2. Announcements</b>  |              |
| To receive any announcements from the Mayor, Leader of the Council, Members of the Executive, Chairmen of Scrutiny Committees and the Head of Paid Service.                                |              |
| <b>3. Questions By Members</b>   |              |
| This is an opportunity for Members of Council to ask the Mayor, Members of the Executive or the Chairman of any Committee or Sub-Committee a question on notice under Procedure Rule 10.2. |              |
| <b>4. Revised Corporate Management Team (CMT) and Senior Manager Arrangements</b>  |              |
| To consider a report of the Chief Executive and an anticipated referral from the Employment Committee meeting held 11 February 2015.   | 11 - 14      |

## Council - Wednesday, 18 February 2015

### 5. Budget 2015/16

- (a) To receive and consider the capital and revenue budget estimates presented by the Executive, together with the summaries, statements, schedules of fees and charges and reports of the Executive in relation thereto and to adopt resolutions therein.
- (b) To set and approve the Council Tax Requirement for the District for the year beginning 1 April 2015, in accordance with the Local Government Finance Act 1992, as amended.
- (c) To set and approve, in accordance with the Local Government Finance Act 1992, as amended the amounts as the amounts of the Council Tax for the year 2015/2016 for each of the categories of dwellings included in the respective valuation bands A to H.
- (d) To agree the Treasury Management Strategy 2015/16 – 2017/18.

*(Members are requested to refer to the reports circulated in respect of Agenda Item 3 for the Executive meeting on 18 February 2015 which will be made available, with the rest of the agenda papers, on the Council's website at [www.trafford.gov.uk](http://www.trafford.gov.uk) > Home > your Council > Councillors & committees > Committee meetings > Council > 18 Feb 2015 7.00 pm)*

### 6. Urgent Business (if any)

Any other item or items which, by reason of special circumstances (to be specified), the Chairman of the meeting is of the opinion should be considered at this meeting as a matter of urgency.

Yours sincerely,



**THERESA GRANT**  
Chief Executive

### Informal Meeting of the Council

Note: At the conclusion of the meeting it is intended to hold an informal meeting of the Council to consider issuing invitations to Members of Council to be the Mayor and Deputy Mayor of the Borough for 2015/2016.

## **Council - Wednesday, 18 February 2015**

### Membership of the Council

Councillors E. Malik (Mayor), J. Holden (Deputy Mayor), D. Acton, S. Adshead, S. Anstee, Dr. K. Barclay, J. Baugh, J. Bennett, Miss L. Blackburn, R. Bowker, C. Boyes, H. Boyle, Mrs. A. Bruer-Morris, Mrs. J.E. Brophy, B. Brotherton, D. Bunting, D. Butt, C. Candish, K. Carter, R. Chilton, Mrs. L. Cooke, M. Cordingley, M. Cornes, J. Coupe, L. Dagnall, Mrs. P. Dixon, A. Duffield, Mrs. L. Evans, N. Evans, T. Fishwick, M. Freeman, P. Gratrix, J. Harding, D. Higgins, M. Hyman, C. Hynes, D. Jarman, P. Lally, J. Lamb, J. Lloyd, A. Mitchell, P. Myers, D. O'Sullivan, I. Platt, K. Procter, J.R. Reilly, Mrs J. Reilly, B. Rigby, T. Ross, M. Sephton, B. Sharp, B. Shaw, J. Smith, E.W. Stennett, S. Taylor, L. Walsh, Mrs. V. Ward, A. Western, D. Western, M. Whetton, A. Williams, M. Young and Mrs. P. Young

### Further Information

For help, advice and information about this meeting please contact:

Ian Cockill, Democratic Services Officer

Tel: 0161 912 1387

Email: [ian.cockill@trafford.gov.uk](mailto:ian.cockill@trafford.gov.uk)

This Summons was issued on **Tuesday, 10 February 2015** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

Any person wishing to photograph, film or audio-record a public meeting is requested to inform Democratic Services in order that necessary arrangements can be made for the meeting.

Please contact the Democratic Services Officer 48 hours in advance of the meeting if you intend to do this or have any queries.

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## TRAFFORD BOROUGH COUNCIL

21 JANUARY 2015

### PRESENT

The Worshipful the Mayor (Councillor Ejaz Malik), in the Chair.

J. Holden	M. Cornes	P. Myers
S. Adshead	J. Coupe	D. O'Sullivan
S. Anstee	L. Dagnall	I. Platt
Dr. K. Barclay	Mrs. P. Dixon	K. Procter
J. Baugh	Mrs. L. Evans	Mrs J. Reilly
J. Bennett	N. Evans	T. Ross
Miss L. Blackburn	T. Fishwick	M. Sephton
R. Bowker	M. Freeman	B. Sharp
H. Boyle	P. Gratrix	B. Shaw
Mrs. A. Bruer-Morris	J. Harding	E.W. Stennett
Mrs. J.E. Brophy	D. Higgins	S. Taylor
B. Brotherton	M. Hyman	L. Walsh
D. Bunting	C. Hynes	A. Western
D. Butt	D. Jarman	M. Whetton
C. Candish	P. Lally	A. Williams
K. Carter	J. Lamb	M. Young
R. Chilton	J. Lloyd	Mrs. P. Young
Mrs. L. Cooke	A. Mitchell	

### In attendance

Chief Executive	Ms. T. Grant
Corporate Director Children, Families and Wellbeing	Mrs. D. Brownlee
Corporate Director Economic Growth, Environment and Infrastructure	Mrs. H. Jones
Acting Corporate Director Transformation and Resources	Ms. J. Hyde
Director of Finance	Mr. I. Duncan
Director of Legal and Democratic Services	Ms. J. Le Fevre
Democratic and Performance Services Manager	Mr. P. Forrester
Marketing and Communications Team Leader	Mrs. K. Dooley
Democratic Services Officer	Mr. I. Cockill

### APOLOGIES

Apologies for absence were received from Councillors D. Acton, C. Boyes, M. Cordingley, A. Duffield, J.R. Reilly, B. Rigby, J. Smith, Mrs. V. Ward and D. Western.

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**59. MINUTES**

That the Minutes of the Meeting of the Council held on 12 November 2014 and the Minutes of the Extraordinary Meeting of the Extraordinary Meeting of the Council held on 10 December 2014, be approved as a correct record and signed by the Chairman.

**60. ANNOUNCEMENTS**

(a) Her Majesty the Queen's New Year's Honours

The Council joined the Mayor in congratulating those residents who had received recognition in the Queen's New Year Honours List, namely:

Mr Robert Hough of Bowdon awarded the citation of Commander of the Most Excellent Order of the British Empire (CBE) for services to Business in the North West;

Miss Rebecca Bryant of Sale awarded the citation of Officer of the Most Excellent Order of the British Empire (OBE) for services to the community and Victim Support in Manchester;

Ms Arlene McCarthy of Bowdon awarded the OBE for parliamentary and political services;

Mr Robert McLoughlin of Hale awarded the OBE for services to Broadcasting in the North West;

Mr Lawrence Jones of Hale Barns awarded the citation of Member of the Most Excellent Order of the British Empire (MBE) for services to the Digital Economy; and

Mr Joseph Brown of Sale awarded the citation of Medallist of the Order of the British Empire (BEM) for services to Community Sport in Trafford.

On behalf of the Council, the Mayor had written to convey congratulations for their achievements.

(b) Greater Manchester Devolution

Further to the previous meeting of the Council held on 10 December 2014, the Leader of the Council announced that the Greater Manchester Combined Authority (GMCA) had confirmed its support for the Devolution Agreement at its meeting on 19 December 2014 and that the approved Scheme had been submitted to the Secretary of State on 22 December. The Leader also outlined key dates leading up to the Order being placed before Parliament on 27 February 2015 and confirmed that Trafford would be in a position to respond to the Consultation on the proposals to amend the Constitution of the GMCA before the 13 February deadline.

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**61. QUESTIONS BY MEMBERS**

The Mayor reported that 6 questions had been received under Procedure Rule 10.2.

- (a) Councillor Freeman asked the following question for which he had given notice:

*“The Leader of the Council will be aware as will other elected members of the considerable public disquiet evidenced on social media and FOI applications surrounding the continued delay in publishing the Report of this Council into the 7 million pound black hole in the Council’s finances for 2014/15, caused by the overspend in Adult Social Care.*

*Whilst I and members in this chamber can appreciate why publication has been delayed can the Leader for clarity now give a clear time line to elected members and the public as to when this report will be published and reaffirm in doing so this Council’s commitment to openness, honesty and transparency?”*

In response, Councillor Anstee stated that there was no black hole in the Council’s finances and that the Council was operating with a balanced budget and like in previous years, was on target again in the current year. The report could not be published until after the end of a number of disciplinary hearings, for which the Leader had no definitive timeline and was a position that the Information Commissioner’s Office was in agreement with. Councillor Anstee confirmed that the Council was committed to being open about the investigation as soon as it could.

As a supplementary question, Councillor Freeman asked whether an undertaking to be open and transparent about the processes and mitigating factors could be provided before the Budget Council Meeting in February, to which the Leader referred the Member to the answer he had just given.

- (b) Councillor Harding asked the following question for which she had given notice:

*“The Executive Member will be aware from the email sent to all Trafford councillors last week by the Breathe Clean Air Group that they have been monitoring air pollution in Urmston and Davyhulme over the past 12 months. The analysis, undertaken by an accredited Laboratory, shows that the levels of NO2 at locations near the M60 motorway and in Urmston town centre are considerably higher than the EU safety limit and in some cases more than 50% above the safety limit.*

*Will he take heed of these findings and ensure that the specific sites where these recordings have been collected are monitored by the Council’s own air quality testing and, if air pollution is found to be in excess of the EU safety limit, ensure that this Council takes urgent action to remedy this in the best interests of the health and wellbeing of local residents?”*

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Councillor Hyman, Executive Member for Economic Growth and Planning advised that the Breathe Clean Air Group (BCAG) had sent air quality monitoring results to all Councillors on two occasions and in October 2014, the Head of Public Protection sent out a detailed response that put the BCAG figures into context both in terms of the quality of the data provided and the extensive monitoring already undertaken by Trafford and other Association of Greater Manchester Authorities (AGMA). There was some uncertainty about the methods employed to take the samples and how accurate they were compared to the monitoring results from the Council's automatic monitoring stations that were used to gather information for the Greater Manchester air quality network and the national monitoring network.

Councillor Hyman indicated that the EU standards referred to in the question are not 'safety limits' but air quality objectives that were targets that had been set for air quality management areas across Europe. As there can be large fluctuations in pollution levels throughout the day, measurement techniques were standardised across the country and pollutants were monitored by councils 24/7 all year round. The Council's monitoring results indicated that the recorded nitrogen dioxide levels in Trafford had not changed significantly for some time and that particulate matter, smaller than 10 microns, was decreasing over time.

Air quality was, nevertheless, a concern for the Council and to address the issues raised by BCAG, the Council had agreed to commission an additional new automatic monitoring station which would be located in close proximity to the M60 motorway in Davyhulme in February 2015 and which would support the AGMA air quality strategy. Acknowledging that cars, buses, and heavy goods vehicles were the main source of UK nitrogen dioxide pollution in towns and cities, the Executive Member advised that there would need to be a European or national policy change to promote the use of low emission vehicles to properly tackle the problem and significantly reduce NO2 levels.

Councillor Hyman also referred Members to a recent communication from Environmental Pollution which provided additional information to all Members.

Councillor Harding welcomed the response and asked as a supplementary question whether the Council could continue to work with BCAG. Indicating that the Council continued to listen to all parts of the community that wished to participate, Councillor Hyman confirmed that the Council would listen to the BCAG and set its views against the Council's own monitoring results.

(c) Councillor A. Western asked the following question for which he had given notice:

*"Could the Leader of the Council please confirm exactly how he intends to spend the unanticipated interim airport dividend recently announced, amounting to £1 million?"*

Councillor Anstee responded to the question advising that it was being used to support the Revenue Budget in the current financial year and that other uses would be detailed in the near future, in the budget report to Council.



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Councillor A. Western asked as a supplementary question for an undertaking that monies from the dividend will be spent on frontline services. The Leader of the Council indicated that the majority of spending would be on frontline services within the Children and Families Directorate and that reference would be made to this in the report when presented.

- (d) Councillor A. Western asked the following question for which he had given notice:

*“Could the Executive Member please confirm how much the authority is paying the company Grayson Gritting H&E Services for gritting supervision in Trafford? The figure paid to date, month by month, along with an estimate of the annual cost of this would be appreciated”*

Responding on behalf of the Executive Member for Environment and Operations, Councillor Coupe reported that Grayson H&E Services were appointed by the Council in November 2014 to carry out winter maintenance supervision. The rate paid by the Council was £200 per week for standby, plus £250 for each gritting callout and in the six weeks up to 5 January 2015 there had been 14 callouts. The total amount invoiced up to 5 January was £4,700, £1,200 standby plus £3,500 for callouts. There had been 11 callouts since 5 January so the Council would be invoiced for a further £2,750 to date and the total standby cost for the winter season would be £5,000, 25 weeks at £200. At current callout rates, the Council estimated that the total callout costs for the season would be £11,250 making an estimated overall cost of £16,250.

Thanking Councillor Coupe for the information, Councillor A. Western asked as a supplementary question why the contract for these services had been outsourced with, as he understood, no consultation with the workforce? In the absence of the Executive Member, Councillor Coupe agreed to refer the question to him for a written response.

- (e) Councillor Adshead asked the following question for which he had given notice:

*“Could the Executive member for Environment and Operations please let me know how many reports of pots holes there were in the year before the Council changed the definition of a pot hole and years subsequent to that, could he also tell us the cost to the Council in terms of claims for damage to vehicles during the same period against Trafford Council?”*

Councillor Coupe responded on behalf of the Executive Member for Environment and Operations and advised that the definition of a pothole was not changed by the Council and that a revised Highway Inspection Policy – ‘Code of Practice for Highway Safety Inspections’, a delegated Executive decision in October 2012, clarified the definition of a pothole, as advised by the Audit Commission. The revision had been required as the old policy did not include any such clarification.

Councillor Coupe informed Councillor Adshead that he had the facts and figures requested before him in table form and he would forward the information to him.

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In light of the revised definition and being of the opinion that standards were deteriorating, a meeting about which he was due to attend, Councillor Adshead asked as a supplementary question what had been done in terms of lobbying to achieve additional funding and what would be the full cost of bringing Trafford's Highways up to the adequate standard?

Councillor Coupe indicated that he would, in the absence of the Executive Member, refer it to him with a request that Councillor J.R. Reilly gets back to Councillor Adshead before the meeting he referred to.

- (f) Councillor Mrs. Brophy asked the following question for which she had given notice:

*"The number of pensioners receiving meals on wheels from their local council has halved in the past five years. According to new figures obtained through a Freedom of Information request the number of elderly people receiving local authority-funded meals has fallen from 296,000 in 2009/10 to around 109,000, that's a 63% drop.*

*Please would the Executive Member comment on whether pensioners in Trafford have experienced a drop in numbers receiving meals on wheels?"*

Councillor Michael Young, Executive Member for Adult Social Services and Community Wellbeing confirmed that, along with most other local authorities, Trafford ceased to deliver an in-house Meals on Wheels service many years ago and ended its last external contract in the 2012/13 budget round and was a reason why the Freedom of Information nationally completed recently had returned a low number of councils that supply Meals on Wheels.

The Executive Member reported that the Council currently supports meal preparation in about 400 cases as part of packages of care and will support someone who could not physically move to heat a meal or had a particular health need for food preparation. Councillor M. Young also outlined the other types of support provided to individuals and advised that a number of independent suppliers can deliver against specific dietary requirements, a list of which he had passed to Councillor Mrs. Brophy.

Grateful for the answer, Councillor Mrs. Brophy asked as a supplementary question how the Council could make sure that in Trafford people are receiving adequate nutrition and what steps can be put in place to ensure this happens. Councillor M. Young advised that those subject to Social Care Assessment are monitored and although the cooking and provision of food was not usually included, the service can assist with provision, if necessary, from an individual's personal budget.

## **62. CHANGES TO THE MEMBERSHIP OF COMMITTEES**

RESOLVED: That the Council notes that the Chief Executive, in consultation with the Leader of the Council agreed the following changes to the Membership of Committees, with effect from 6 January 2015:

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- (a) Councillor Mrs. Reilly replaced Councillor Sharp as a Member of the Planning Development Control Committee; and
- (b) Councillor Sharp replaced Councillor Mrs. Reilly as a Member of the Scrutiny Committee.

**63. CHANGES TO THE COUNCIL TAX SUPPORT SCHEME FOR 2015/16**

The Executive Member for Finance and the Director of Finance submitted a joint report seeking approval of a local Council Tax Support Scheme for the 2015/16 municipal year. The report had been recommended to Council from the Executive Meeting held earlier that day.

Further to paragraph 1.2 of the report, the Executive Member reported that the scheme had helped 254 more people back into work through the use of added work incentives and in response to Councillor Ross' question, undertook to provide him with a written explanation.

RESOLVED: That the Council adopts the Council Tax Support scheme currently in operation, with the incorporation of the amendments detailed below for 2015/16:

- (a) The applicable amounts are increased by 1% to keep them in line with inflationary increases to Housing Benefit and other welfare benefits, as set out in appendix 1 to the report.
- (b) That the non-dependant deductions are frozen at their current rate, as set out in appendix 2.
- (c) That the remaining funding allocated to the Council Tax Support discretionary fund from when it was first introduced in April 2013, be rolled over into 2015/16, which is estimated to be approximately £20,000 by the end of the year.

**64. URGENT BUSINESS - NEW BANKING ARRANGEMENTS: INDEMNITY**

(Note: The Mayor allowed consideration of this matter as an item of urgent business since cheque indemnity provisions, as part of the Council's new banking arrangements, have only recently been requested and must be given before the new arrangements come into force on 1 February 2015.)

The Executive Member for Finance and the Director of Finance submitted a joint report seeking approval for an indemnity to be given by the Director of Finance, as the Council's Section 151 Officer, to the Council's new Banker, Barclays Bank PLC, against any losses or claims arising from them processing cheques made payable to 'Trafford Council' or 'Trafford Metropolitan Borough Council' on behalf of Trafford Borough Council.

RESOLVED: That the Director of Finance, as the Council's S151 Officer, be authorised to sign an indemnity to Barclays Bank PLC ("Barclays") against all

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actions proceedings claims or costs which Barclays may suffer or incur as a result of Barclays collecting monies payable to 'Trafford Council' or 'Trafford Metropolitan Borough Council' on behalf of the Council without such items being endorsed.

**65. APPOINTMENT OF THE INDEPENDENT MEMBER TO THE STANDARDS COMMITTEE**

The Chairman of Standards Committee and the Director of Legal and Democratic Services / Monitoring Officer submitted a report seeking the Council's endorsement of an appointment to the vacant post of Independent Co-opted Member on Standards Committee.

RESOLVED: That Mr. Richard Brown be appointed as an Independent Member of Standards Committee with immediate effect.

**66. MOTION SUBMITTED BY THE LABOUR GROUP - IMPACT OF CHILDREN, FAMILIES AND WELLBEING CUTS**

It was moved and seconded that:

"This Council calls on the government to recognise the damaging effects of the austerity cuts to councils. In particular in Trafford we note with concern three service areas which have now been identified as high risk:

- Failure of safeguarding services - risk has increased from medium to high
- Major event leading to inability to deliver critical services to vulnerable people - risk has increased from medium to high
- Adult social care is at high risk because of the inability to implement a wide range of savings proposals in the current economic climate

In light of the fact that this Council faces huge budget pressures over the next three years with further cuts of £57 million (£25 million in 2015/2016), this Council calls on the government to halt the cuts which if implemented will seriously affect the health and wellbeing of Trafford's most vulnerable children and adults."

Following a debate on the matter, the Motion was put to the vote and declared lost.

**67. MOTION SUBMITTED BY THE LABOUR GROUP - SCHOOL CROSSING PATROLS**

It was moved and seconded that:

This Council calls on the Executive to reconsider the proposals to scrap thirty-one school crossing patrols, and notes:

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- these patrols operate on busy and dangerous roads, and have actually been instrumental in preventing accidents over many years;
- that many of these patrols were actually put in place onto an existing light controlled crossing following dangerous or fatal incidents;
- Council is concerned that the scrapping of these patrols will have a detrimental effect on road safety across the Borough.

In light of the huge public outcry/response to the published proposals to abolish the thirty-one crossing patrols, Council believes it is right and proper that the Executive is asked to reconsider the proposal with a view to reversing its previous decision.”

It was moved and seconded as an amendment that:

“This Council calls on the Executive to respond to further consultation being conducted in relation to school crossing patrols, and take into consideration all feedback received, including the nature of the road, number of vehicles and previous accident rates.

Council believes it is right and proper that the Executive is asked to consider this proposal in light of representations made, and notes that no decision has yet been made and so does not have a previous decision to reverse.”

Following a debate on the matter, the amendment was agreed with the unanimous consent of the Council and as such, the substantive Motion was declared carried.

RESOLVED: That This Council calls on the Executive to respond to further consultation being conducted in relation to school crossing patrols, and take into consideration all feedback received, including the nature of the road, number of vehicles and previous accident rates.

Council believes it is right and proper that the Executive is asked to consider this proposal in light of representations made, and notes that no decision has yet been made and so does not have a previous decision to reverse.

**68. MOTION SUBMITTED BY THE LABOUR GROUP - LOCAL GOVERNMENT FUNDING**

It was moved and seconded that:

“This Council notes the letter signed by more than 100 Council Leaders across the country calling for an improved funding settlement for Local Government in the 2014 Autumn Statement (Observer, 30 November 2014). Given the sustained and severe cuts to local government enacted throughout this Parliament – over and above any other government department – Council is supportive of the content of this letter and therefore extremely disappointed that the Leader of the Council did not choose to add his signature. Council also notes with regret that the continued reductions in

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local government budgets will leave Trafford services at breaking point, and calls on the Leader of the Council to support any further cross-party letters from local government leaders expressing concern about the impact of more cuts to council funding.”

Following a debate on the matter, the Motion was put to the vote and declared lost.

**69. MOTION SUBMITTED BY THE CONSERVATIVE GROUP - SMALL BUSINESS RATE RELIEF**

It was moved and seconded that:

“The Council welcomes the decision of the Chancellor of the Exchequer to offer business rates support for 30,000 small businesses based on the high street.

The Chancellor announced in the Autumn Statement an additional £500 business rate discount for retail and food and drink business, offering additional support to Trafford’s town centres.

This takes the total discount from the current £1,000 to £1,500 in 2015 to 2016 and reduces the cost of business rates on the high street.

Council notes the importance of business rate growth as a revenue stream to overcome future fiscal challenges and resolves to encourage take up of the discount and to continue supporting small businesses in Trafford.”

Following speeches in support, the Motion was agreed with the unanimous consent of the Council.

RESOLVED: That the Council welcomes the decision of the Chancellor of the Exchequer to offer business rates support for 30,000 small businesses based on the high street.

The Chancellor announced in the Autumn Statement an additional £500 business rate discount for retail and food and drink business, offering additional support to Trafford’s town centres.

This takes the total discount from the current £1,000 to £1,500 in 2015 to 2016 and reduces the cost of business rates on the high street.

Council notes the importance of business rate growth as a revenue stream to overcome future fiscal challenges and resolves to encourage take up of the discount and to continue supporting small businesses in Trafford.

The meeting commenced at 7.00 p.m. and finished at 9.14 p.m.

## TRAFFORD COUNCIL

**Report to:** Council  
**Date:** 18<sup>th</sup> February 2015  
**Report for:** Decision  
**Report of:** Chief Executive

### Report Title

Revised Corporate Management Team (CMT) and senior manager arrangements

### Summary

This report sets out proposals that will deliver minimum savings of £86.5k (excl. on-costs) and includes:

- The realignment of the post of Corporate Director – Resources to incorporate increased and robust responsibility directly for the Council's financial management arrangements. To align the Chief Finance Officer Section 151 statutory responsibilities, directly to the Corporate Director post or revised Head of Financial Management arrangements, to be determined.
- The disestablishment of the Director of Finance post.
- The strengthening of senior management arrangements including the review of the Head of Financial Management post, under the delegation of the Chief Executive. Establish an additional payment of £3k to be allocated as recognition for deputising for the Chief Executive.

### Recommendation

That Council agrees the content of the report in the context of the revised Corporate and Senior Management arrangements and the arrangements for salaries as outlined in the Pay Policy and endorses the proposals set out in Section 3 (subject to recommendation from 11<sup>th</sup> February 2015 Employment Committee).

Contact person for access to background papers and further information:

Name: Lisa Hooley  
Extension: x4670

## **Background Information**

Relationship to Policy Framework/Corporate Priorities	None
Financial	The proposals will achieve savings of c£86.5k (excl. on-costs)
Legal Implications:	There are statutory duties to be incorporated into the Corporate Director or Head of Financial Management post as appropriate.
Equality/Diversity Implications	In line with relevant legislation and good practice
Sustainability Implications	None
Staffing/E-Government/Asset Management Implications	This proposal will ensure continuity of management during a time of immense change.
Risk Management Implications	None
Health and Safety Implications	None

### **1. Introduction**

**1.1** This report seeks to review further Corporate and Senior Management Team arrangements following the resignation of Wendy Marston, Corporate Director – Transformation & Resources (T&R).

### **2. Background**

**2.1** The ‘Reshaping Trafford’ programme is undertaking a fundamental review of the organisation through a number of key projects, in order to address the financial challenges the Council faces in the current and future financial years. This will inevitably deliver a future organisational structure that is slimmer and more commissioning focused.

**2.2** The future organisational structure will be supported by a smaller strategic core, focussed on delivering the best outcomes for residents and businesses, working with both public and private sector partners. It is further anticipated that the recently proposed devolution arrangements will also influence the future shape of the core of the organisation as proposals are developed over the coming months.

**2.3** The resignation of the Corporate Director (T & R) has provided an opportunity to review the make-up of Corporate and Senior management arrangements, against these emerging influences, and creating an opportunity to consider further savings in this area.

**2.4** The Director of Finance and the Corporate Director (T&R) both currently form part of the Corporate Management Team and as such are remunerated to reflect this arrangement. I have recently undertaken a review of the Financial Management service to reflect the changing shape of the organisation but, at that time I did not make any changes to the Head of Financial Management or Director of Finance roles. It is now opportune to consider arrangements to strengthen further the financial robustness of the organisation and the accountability for Section 151 statutory responsibilities and my proposals include the deletion of the Director of Finance post.



**2.5** These changes present the opportunity to generate some further savings within the Corporate Management Team whilst rationalising and streamlining strategic responsibilities. It would also be my intention to review further the Head of Financial Management role which will need to be broadened as part of these revised arrangements, which I will undertake separately.

### **3. Proposal**

**3.1** This review proposes the following changes:

**3.2** The realignment of the post of Corporate Director – Transformation and Resources (T & R) to incorporate increased and robust responsibility directly for the Council’s financial management arrangements and to re-designate to Corporate Director - Resources. To align the Chief Finance Officer Section 151 statutory responsibilities, directly to the Corporate Director post or revised Head of Financial Management arrangements, to be determined.

**3.3** Following the appointment to the revised post of Corporate Director and the development of robust senior financial management arrangements, it is proposed to disestablish the role of Director of Finance.

**3.4** The review of the Head of Financial Management post to be undertaken in conjunction with the current Director of Finance and the successful Corporate Director appointment.

**3.5** In recognition of the additional direct responsibility and accountability for the Council’s financial management arrangements and incorporating advice from our recruitment consultants in respect of attracting candidates with the right skills and attributes, it is proposed that remuneration arrangements for the Corporate Director - Resources should be increased to allow for the appointment of a suitable candidate to £110k. This aligns with the revised remuneration arrangements for the Corporate Director (EGEI) post. In addition, it recognises the unprecedented financial climate in which the Council is operating and the significant transformation challenges to achieve a new organisational model by 2017.

**3.6** The review set out in 3.4 will be agreed under the Chief Executive’s delegated authority and will include arrangements in relation to the realignment of the Head of Financial Management and allocation of Section 151 arrangements.

**3.7** The direct support arrangements to the Chief Executive have been reviewed, in light of the challenges currently faced and the additional workloads anticipated as proposals relating to devolution progress. Both the Leader and Chief Executive will be very involved in the emerging proposals to ensure Trafford’s position is well represented and as key leaders within AGMA.

**3.8** It is therefore considered appropriate to appoint a formal deputy recognised by an additional payment of £3k to a member of CMT. As an additional payment rather than incorporated into a salary this arrangement will allow for flexibility. The initial award of this payment will be agreed between the Chief Executive and the Leader.

**3.9** In addition following the resignation of the Corporate Director (CFW), the salary arrangements have been reviewed, along with our recruitment consultant and reduced the salary of that post from £122k to £115K.

**3.10** These proposed changes will deliver savings of c£86.5k excluding on-costs, some of which will be used to strengthen and support other areas of the senior management team to support the overall strategic direction of the Council.

**3.11** The Council's pay policy requires any new posts over £100k to be agreed by Full Council. Any such proposals need to be referred to Employment Committee for comments in the first instance.

#### **4. Recommendation**

**4.1** That Council agrees the content of the report in the context of the revised CMT arrangements and the arrangements for salaries as outlined in the Pay Policy and endorses the proposals set out in Section 3 (subject to recommendation from 11<sup>th</sup> February 2015 Employment Committee).

### TRAFFORD BOROUGH COUNCIL

**Report to:** Executive and Council  
**Date:** 18 February 2015  
**Report for:** Decision  
**Report of:** The Executive Member for Finance and the Director of Finance

#### Report Title

**Executive's Revenue Budget Proposals 2015/16**

#### Summary

The report sets out the Executive's updated revenue budget proposals for 2015/16, taking account of: movements in Government funding; consultation feedback from stakeholders, staff and Scrutiny; changes to budget assumptions and estimates; and includes for some additional savings and investments.

It is proposed that Council Tax should be frozen for the fifth successive year to reduce the burden on residents. Instead the Council will take the opportunity of additional resources in the form of additional Government grant, £(0.9)m equivalent to a 1.0% rise, rather than raise tax up to the permitted threshold level of 2.0%.

#### **The key summary points for the revenue budget proposals are:**

- Budget will decrease by £(5.638)m or (3.6)%, from £154.552m to £148.914m;
- Government based support has reduced by £10.1m or 10.4%;
- planned base budget investment in services and other cost pressures amount to £14.6m, The sum of reduced funding and expenditure pressures presents a gross deficit for 2015/16 of £24.7m which has been offset by one-off net income of £(3.2)m [business rate growth net of levy and including the pool rebate £(3.4)m, increase in the council taxbase £(0.8)m and offset by a reduction in use of reserves from £(2.0)m to £(1.0)m reflecting the use of the additional airport dividend received in 2014/15.
- The sum of reduced funding and expenditure pressures presents a total budget deficit for 2015/16 of £21.5m.
- Efficiency and additional income streams will amount to £(9.5)m being 44% of the gross deficit,
- £(12.0)m of policy choice savings have been identified being 56% of the gross deficit.

The Director of Finance has set out his view on the reasonableness and robustness of the budget, and the availability and adequacy of reserves, at Annex M.

## **Recommendation(s)**

### **It is recommended that Council approve:**

- The net Revenue Budget for 2015/16 at £148.914m, a decrease of £(5.638)m, or (3.6)%, when compared to the 2014/15 base budget of £154.552m;
- The calculation of the Council Tax Requirement as summarised in Section 10 and set out in the Formal Council Tax Resolution (Green Sheets to be circulated at Council);
- That there is no increase in the proposed Council Tax level for Trafford related services in 2015/16 (valuation bands are detailed at Annex E);
- The Fees and Charges for 2015/16, as set out in the booklet available on the Council's website:-
  - Approval is given to Corporate Directors and the Director of Finance with the joint delegation to amend fees and charges during 2015/16 in the event of any change in the rate of VAT, as appropriate
- That the minimum level of General Reserve for 2015/16 be set at £6.0m, the same as in 2014/15 (Section 5);
- The overall Capital Investment Programme level of £79.7m be approved (as detailed in the Capital Investment Programme 2015/18 report attached) of which £41.8m relates to 2015/16.
- The Prudential Borrowing Indicators as set out in Appendix 3, page 14, of the attached Treasury Management Strategy.
- The distribution of Dedicated Schools Grant as recommended by the School Funding Forum and Executive as summarised in Section 7 and detailed in Annex F.

### **and in approving the above, has taken into consideration :**

- The objective assessment by the Director of Finance of the robustness of budget estimates and adequacy of the General Reserve (Section 5 and Annex M).
- The Executive's response to the Scrutiny Committee's recommendations to the budget proposals, which can be found elsewhere on the agenda.
- The detailed report on the outcomes of the Staff and Trade Union Consultation which can be found on the agenda for the Executive on 26 January 2015.
- The Equality Impact Assessments in relation to the budget proposals and the Public Sector Equality duty

### **In addition, the Council notes the following :**

- The approval on 30 January 2015 under delegated powers by the Director of

Finance of the Council Tax Base for 2015/16 at 72,669 Band D equivalents. Along with the calculation of the estimated Council Tax surplus, sufficient to release £(300)k to support the Council's 2015/2016 revenue budget and a distribution of £(41.3)k and £(15.6)k representing the respective shares of the GM Police & Crime Commissioner and GM Fire and Rescue Authority.

- That the Capital Investment Programme for 2016/17 and 2017/18 is to be set at an indicative £23.5m and £14.4m respectively.
- That the Council Tax figures included in the report for the GM Fire & Rescue Authority are the recommended provisional amounts pending their formal approval on 12<sup>th</sup> February 2015.
- The Treasury Management Strategy 2015/18 detailed elsewhere on the agenda.
- The writing down of the Learning Disability pool deficit of £3.0m
- The base budget assumptions as set out in the Medium Term Financial Outlook as detailed in Annex A.
- That final decisions with regard to some services will not be taken until March 2015. As a result, the allocation of resources set out on pages 65-69 may vary including the use of reserves. All reports will be presented at the appropriate time.

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

Name:	Cllr Patrick Myers	Ian Duncan
Extension:	4884	1886

Relationship to Policy Framework/Corporate Priorities	Value for Money. The proposed budget for 2015/16 supports all key priorities and policies.
Financial	The report sets out the proposed budget for 2015/16, allocating available resource across service objective heads as detailed in the report.
Legal Implications:	It is a statutory requirement for the Council to set and approve a balanced, robust budget and Council Tax level. Budget proposals take account of various legislative changes as they affect Council services. The Council has begun and will continue to comply with the statutory processes associated with the effect of the proposed budget on staffing levels. Because consultation is still ongoing in two service areas, the budget allocation in the attached annexes is indicative. The Executive will be free to amend the allocation of resources within directorates at the time it makes a final decision in these areas. If the budget for a directorate is to be exceeded, which will result in a call on reserves,

	the Executive will need to identify the impact on reserves and when they will be replenished. The Council has carried out a public consultation on its budget proposals. It has taken full account of the feedback in presenting this budget. Where the consultation is still on-going, for the Library Service and School Crossing Patrol Service, financial decisions will be made when the consultations have been completed.
Equality/Diversity Implications	Equality Impact Assessments for each budget proposal have been considered and are published as background papers to the report on Consultation Outcomes and Budget Proposals elsewhere on the agenda.
Sustainability Implications	None arising out of this report.
Risk Management Implications	An impact assessment of each budget proposal is in the process of being finalised.
Staffing/E-Government/Asset Management Implications	Statutory processes have been complied with during the course of these budget proposals in respect of staffing implications and more detail is included in Section 2.
Health and Wellbeing Implications	Equality Impact Assessments in relation to the budget proposals have been considered.
Health and Safety Implications	An impact assessment of each budget proposal is in the process of being finalised.

### **Other Options Considered**

The Council could consider an increase in council tax. Under the Localism Act 2011 the Council is required to hold a council tax referendum if it wishes to increase its “Relevant Basic Amount of Council Tax” by an amount equal to or exceeding a level set out by the Government, which for 2015/16 is 2.0%. For information, raising the Basic Amount of Council Tax by 1.99% would raise an additional sum of £(1.598)m. However, at the same time the Council would not qualify for the council tax freeze compensation grant £(0.903)m, therefore the net income raised from an increase in council tax would be £(0.695)m.

The Executive does not recommend an increase in the level of council tax as the Council would lose £0.903m in council tax freeze grant; in addition the amount raised below the referendum threshold (1.99%) would be modest compared to the scale of the challenges it faces. If an increase above the referendum trigger was agreed, to avoid a substantial element of the savings having to be made, it would pass on a significant financial burden onto its residents.

The use of reserves has been reviewed (See Section 5) and an appropriate amount has been assessed for release to support these budget proposals whilst still maintaining a minimum level of reserves to manage any unforeseen risks. Any further use of reserves is not recommended as it does not provide a sustainable means of balancing the budget.

**Consultation**

A budget consultation has been carried out, the details and results of which are outlined in Section 2 of this Report, and the review of the proposals and process by the Council’s Scrutiny Committee is included at section 3.

**Reasons for Recommendation**

To enable the Council to set a Budget Requirement and Council Tax level for 2015/16.

**Key Decision**

This is a key decision currently on the Forward Plan: Yes

**Finance Officer Clearance** .....GB .....

**Legal Officer Clearance** .....JLF .....

**CORPORATE DIRECTOR’S SIGNATURE**

*(electronic)*.....

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.



**TRAFFORD**  
**COUNCIL**

**Executive's  
Revenue Budget  
Proposals 2015/16**

**18 February 2015**



## **FOREWORD by the EXECUTIVE MEMBER for FINANCE COUNCILLOR PATRICK MYERS**

### **Background**

Since 2005 it has been the clear policy of the Council to deliver value for money and a low Council Tax. This can only be achieved by a strong culture of financial management across all services. The Council also has a strong ethos of collaboration and working in partnership to strengthen our local and organisational resilience. Before getting to the detail of the budget proposals it is worth reminding ourselves of the strengths of the Borough and the many achievements of the Council.

As a borough, we have a powerful cultural and industrial base with over 11,000 businesses in the borough which contribute £5.8 billion GVA to the country's economy. Of our population, 73% are employed in Trafford and it is predicted that there will be growth in employment in Trafford of 3.4% between 2014 and 2017, which is well above the forecast for Greater Manchester (-2.8%) and North West (-6.7%). We also have the lowest unemployment figures (2.3% of the working age population), compared to other authorities in Greater Manchester.

The Council is continuing to build upon its track record of partnership working and is working as part of the Greater Manchester Local Enterprise Partnership to maximise the opportunities for investment in the local region presented by new funding streams such as business rates pooling.

With our Partners we have won several awards for our innovative and collaborative work. In 2013 the Council won a LGC award for our work across Public Sector Partnerships and our Trafford Partnership Executive, which represents all sectors including the faith community groups, functions as a powerful force to get statutory partners to work differently and galvanises communities which want to work differently to do this amongst themselves. Also in 2014 the Council received a commendation in the North of England Excellence Awards.

As a Council, we have been recognised at a national level for our employment and equality initiatives, employee relations and quality of apprentices. The refurbishment of the Town Hall has also been recognised nationally for how we have retained the building's architectural heritage and also the environmentally sustainable design. Our Children's Services are rated as performing 'Excellent' by Ofsted. 94% of Trafford pupils attend schools which are rated as "good" or "outstanding", which puts us in the top 10 local authorities nationally, at both primary and secondary level. We were ranked 3rd in the country for GCSE and 3rd for A Level results in 2014. Provisional Key Stage 2 data for 2014 shows Trafford 2<sup>nd</sup> nationally, with 87% of pupils achieving Level 4 or above in Reading, Writing and Maths.

Altrincham Forward, a public/private strategic partnership set up in Altrincham in 2011, continues to progress the work in town centres and has established a clear action plan to improve and revitalise the town centre. Its innovative approach and initiatives have been nationally recognised and shared as best practice with other towns and local authorities. Work is continuing to develop the strategic frameworks

for all the town centres including Stretford Masterplan, Urmston and Sale Road Maps and Altrincham Strategy.

Through direct service delivery and effective partnership working the Council has maintained performance and quality standards even at a time of significant change, increasing demand and reducing resources:

- Crime has fallen by 54% in the last 7 years.
- The time to process new benefit claims is 13.5 working days which is an improvement on previous performance.
- Action to reduce fraud has resulted in £890,000 of fraudulent benefit overpayments in 2013/14 being identified and 62 prosecutions. A further £560k of overpayments had been identified since April 2014.
- The Council has more than doubled the amount of retail rate relief awarded to eligible businesses. We have already achieved awards totalling £845,000 which is an additional £600,000 since the uptake started.
- The Council's website has been improved so that people can get information easier. Webcasting of Council meetings was introduced in June to open up democracy for local people.
- Have supported 38 Partington residents into employment through the innovative Partington Pledge, matching young unemployed people with local employers.
- Supported 51 new businesses to start trading through our Business Start Up programme, delivered in partnership with Blue Orchid.
- Supported 182 new affordable homes to be delivered by our housing association partners in 2013/14.
- Successfully combined local and European elections in May 2014.
- Funded 36 projects across all Locality Partnership areas through the 2014/15 Voluntary Sector Grant scheme allocating £103k in grant funding.

When the budget proposals are discussed and debated the focus tends to be on what financial savings are to be made. Whilst this is important, we should also consider what services will be carried out next year. Some of these include:

- 8,000 social care clients looked after at a cost of £48.7m.
- Over 110,000 visitors to Waterside Arts Centre, selling 40,000 tickets.
- Collect over 97% of Council Tax in year to support the Council's financial resources.
- Receive over 330,000 telephone enquiries per year through our customer contact service alone.
- Pay 96.8% of invoices within 30 days to support businesses.

- Clean 2000 linear miles of highway channels and footways at least once every 8 weeks.
- Remove approximately 6,000 tonnes of street sweepings per month and 500 tonnes of litter from approximately 1,200 waste and litter bins (streets and parks).
- Remove approximately 1,750 tonnes of fly-tipping per year.
- Respond to more than 450 incidences of graffiti per year.
- Maintain 40 public parks covering 243 hectares, with 6 Green Flag parks and 30 Friends of Parks groups.
- Serve 2.7 million school meals this year, an increase of 400,000 from the previous year following the introduction of Universal Infant Free School Meals in September 2014.
- Collect domestic waste from 30,000 wheeled bins every day.

Furthermore, the Council continues to respond to the financial and service demand challenges by focussing on developing a broad spectrum of initiatives designed to provide multiple opportunities for cost reduction and service improvement. This year we have:

- Launched our 'Schools SLA Online' services, making it easier for schools to purchase our services and for the Council to retain and manage this business on a more commercial basis.
- Invested in capacity in partnership with others through the establishment of a shared service for procurement with Stockport and Rochdale Councils, known as STaR, reducing overheads, building our local resilience and boosting purchasing power.
- Co-located some voluntary and community sector advice and guidance services at our Contact Centre in Sale Waterside, facilitating an effective one stop shop for benefits and housing enquiries.
- Started to scope out public service delivery partnership options with Greater Manchester Police for HR payroll services, which we will be developing further during the current year.
- Piloted new delivery models for troubled families, early years' services, offender management and worklessness support under the banner of Public Service Reform across Greater Manchester.

### **Summary of the 2015/16 Proposed Budget**

Turning to the Council's finances, it is important context that since 2004/05 the Council has approved £(70)m of efficiencies, and a further £(6.6)m is proposed for 2015/16. This is equivalent to 95% of the current Council Tax, helping to maintain service levels at times of significantly reducing resources.

The current economic climate poses many issues for the Council as it does for households and businesses across the Borough, in the form of suppressed income and low investment rates. 2015/16 will be the sixth national austerity budget under the Coalition Government's approach to managing the national deficit. The local government financial settlement recently announced and reported to the Executive on 26 January has only confirmed our financial forecasting and means the Council will need to make total savings of £21.5m compared to an estimated £24.3m at the draft budget stage, as a result of:

- £10.1m reduction in government funding, which has been offset by a number of income streams including an increase in the council tax-base of £(0.8)m, business rate growth £(3.4)m, offset by a reduction in use of reserves from £(2.0)m to £(1.0)m reflecting the use of the additional airport dividend received in 2014/15. It is not yet clear whether the latter two will be recurring income streams.
- inflation, increasing public expectation and demographic pressures in key services, increasing charges from levying bodies for waste disposal and some reduction in income totalling another £14.6m.

Since the draft budget was considered by the Executive in October 2014 there have been a number of changes to the budget plans and these are detailed in Section 6 and Annex D. In summary:-

	£m
<b>Deficit position in October</b>	<b>0.6</b>
<b>Changes in budget assumptions:-</b>	
• Additional cost of pay award £0.173m	
• Increase in Treasury Management costs £0.300m	
• Increase in bad debt provision £0.200m	
• Reduction in Transport Levy £(0.205)m	
• T&R savings realignment £0.106m	
• Reduction in adopter fee income of £0.100m	
• Reduction in Housing Benefit Subsidy £0.150m	
• Reduction in superannuation additional allowances £(0.195)m	
• Increase in Redundancy Provision £0.165m	
<b>Recommended additional investment:-</b>	
• Increase in the CFW commissioning budget for youth of £0.130m;	
• Increase in deprivation of liberty costs £0.200m;	
• Increase in CFW capacity building £0.170m and	
• £0.7m general contingency to cushion against savings proposals generally	
• Increase in foster carer fees £0.100m	2.1
<b>Reduction in Government Funding</b>	<b>(0.1)</b>
<b>Reduction in Savings:-</b>	

<ul style="list-style-type: none"> <li>• Contribution from CCG to pool fund £1.500m</li> <li>• Reshaping Trafford's offer – changing the way we meet needs £1.000m</li> <li>• Negotiated use of the Better Care Fund £0.788m</li> <li>• Externalisation of Reablement – older people £0.302m</li> <li>• Renegotiation of existing contracts – learning disability £0.300m</li> <li>• Additional saving - Review of ordinary residence arrangements – learning disabilities £(0.466)m</li> <li>• Additional saving – Continuing healthcare – adult services £(0.289)m</li> <li>• Phased implementation of savings proposals £0.500m</li> <li>• New saving – commissioning review of non-mandatory services £(1.500)m</li> </ul>	2.2
<b>Sub-Total</b>	<b>4.8</b>
<b>Financed By:-</b>	
Business Rates Growth (after payment of the levy)	(2.8)
AGMA Pool Rebate	(0.6)
Council Taxbase Growth	(0.4)
MAG Dividend	(1.0)
<b>Budget Balance</b>	<b>NIL</b>

Identifying new efficiencies and income streams that can be achieved cost effectively is becoming more and more challenging and the national austerity measures are unlikely to be removed for some time. For this reason the Council is now taking a different approach, which will manage this challenge over the longer term.

Earlier this year, the Council established its Reshaping Trafford Council Programme which will deliver a new organisational model for the Council from 2017/18. In the new organisational model we are planning to have a mix of different delivery models of which most will be delivered by others rather than the Council directly. Those we continue to fund will be monitored for quality by a much smaller Council model. Our plan is set out in the 'blueprint' document which is available below.

<http://www.trafford.gov.uk/budget>

The aims of the new organisational model are to:

- Improve local outcomes.
- Increase local resilience.
- Generate profit to be reinvested in front line services.
- Manage demand on services through focussing on prevention and asking citizens to 'be responsible'.
- Deliver good quality services within the funding available to us.

In order to get to this position we must have a more stringent approach to managing the budget pressures. All services will be subject to comprehensive service reviews to identify further opportunities for optimising resources and prioritising services for delivery at compliant and acceptable service levels. This will help us manage how we stop running services or reduce them to a level where they are operating at their core minimum standards, so they are affordable.

Trafford Council is in a strong position to deliver such a fundamental change. As set out earlier, our high performance, quality standards and valuable experience of doing things differently and being innovative gives us this confidence. As we 'reshape' into our new organisational model, we will remain committed to providing value for money, protecting as many jobs as possible and maintaining service standards in so far as is practicable. We will continually improve and use original ways of ensuring we support local people.

However, providing services in the way they are currently is no longer an option; we must change the way we do things if we are to continue to meet our obligations and support local people within the current financial climate. Demand for high cost services, particularly in the provision of care for our most vulnerable residents is growing as our funding declines. This means we not only need to reshape our services but we must help our customers and service users to think differently about managing their needs through their own resources before and in addition to any support available from the Council.

Our Reshaping Trafford Council Programme has identified £21.5m of savings and additional income for 2015/16, which is the biggest target of any of the six austerity budgets and will be delivered through a variety of approaches, all of which are contributing to the formation of the Council's new organisational model. This report provides details on all of the proposals currently being put forward by the Executive by each service area and can be reviewed at Annexes I through L and a summary is provided below:

- £(2.250)m through the establishment of our Joint Venture contract for a range of environment, highways and property services; in addition a further £(0.086)m is proposed through a management restructure which merges 2 directorates into one.
- Our Reshaping Trafford Council Programme will save £(1.568)m by refining the new structure for central support services with resilience to support the business, commercial opportunities and new partners.
- £(0.026)m increased income by Waterside Arts Centre and £(0.135)m from the Music, Governor and Education Psychology Services.
- A target of £(0.700)m from a review of our library provision. This will be subject to public consultation and a final decision in March 2015.
- £(0.451)m from reviewing our contract arrangements with Trafford Leisure Trust.

Over the next 2 years, Trafford Council will continue to develop an integrated, all age health, education and social care service, exploring new delivery models. The following savings in 2015/16 will support this activity:

- £(2.717)m by establishing alternative delivery options for the Reablement Service, learning disability services, day support services and Telecare.
- £(1.330)m by establishing a new delivery model for integrated education, health and care commissioning and service delivery on an all age basis.
- £(2.416)m from the review and renegotiation of care contract costs.
- £(1.430)m from the review of care package offers and a policy change in the way we meet eligible needs.
- £(3.684)m from the review of Early Years, Youth Service, Connexions, Education Welfare, Youth Offending Services and Children's Centre provision.
- £(0.100)m by increasing personal budgets across children and young people with special educational needs.
- £(0.300)m by remodelling Home to School Transport services.
- £(2.000)m agreed contribution from the Better Care Fund which is a shared budget with the Trafford CCG with the aim of providing more effective integrated health and social care services.
- £(1.500)m via a commissioning review of non-mandatory adults care services.

There are further savings proposals, which will help the Council to deliver services within the funding available :

- £(0.231)m through a review of parking charges.
- £(0.114)m from rationalising Schools Crossing Patrols.
- £(0.093)m charges for allotments and other fees and charges.
- £(0.497)m of other savings achieved by management of inflationary pressures, discretionary business rate provision now accounted for within the Collection Fund and a reduction in the cost of Members' Allowances.

In addition to the above savings, our proposals allow for investment in priority service areas, namely:

- in particular, an investment of £8.5m in Adult Social Care and £0.9m in Children's Social Care to meet the expectations of increasing service demands.

- Investment of £0.073m revenue and £0.150m capital expenditure in plans to reduce litter, fly tipping and improve recycling by targeting areas of the borough.
- The provision of a free school meal for every infant pupil (key stage1), funded by an additional specific grant approximately £2.84m in 2015/16.
- The Council Tax will remain frozen at the 2010/11 rate, keeping it the lowest in the North West and one of the lowest in England.

Of the estimated 212.5 fte equivalent positions that are at risk to be removed from the establishment 65% are in management and back-office roles. The Council will employ a number of processes to minimise the impact on the staff concerned. The proposals contained within this report have been subject to public consultation, equality impact assessments, the views of the Scrutiny Committee, and the detail of the Local Government Finance Settlement in late autumn.

### **Summary**

To remain within the available resource envelope the budget for 2015/16 will reduce by £5.638m, from £154.552m to £148.914m. There have been a number of changes to the budget since October 2014 as detailed above which have increased the pressures on the 2015/16 budget but these have been afforded by an increase in the council tax base £0.4m, growth in retained business rates of £3.4m and a further return on our investment in the Manchester Airport Group (MAG) following a restructure of the company, including a new equity investment partner. A number of proposals within the plan are still subject to consultation or further Executive decisions, namely the proposals around the libraries and the joint venture, hence further decisions will be made in March on those services which could impact on the 2015/16 budget.



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## 1. EXECUTIVE SUMMARY

- 1.1 The Executive's draft Budget 2015/16 proposals were submitted to the Executive in October 2014. These proposals have been subject to public consultation, which in a number of areas, for example libraries, joint venture proposals and fair price for care. The Council's Scrutiny Committee also reviewed the budget on 17 November 2014 and 8 December 2014 where £18.4m (76%) of proposed budget savings were reviewed.
- 1.2 Since the draft budget was presented to the Executive in October a number of changes have been made as a result of consultation on the proposed budget, government funding announcements and other budget pressures.
- 1.3 The total net change from the announcements leading from the Local Government Finance Settlement was a favourable £0.026m. Additional cost pressures and changes to savings have added a further £4.0m to the budget which coupled with the deficit from October of £0.6m has resulted in a further £4.8m needed to be found within the 2015/16 budget. These pressures have been afforded by increases in both the council taxbase and from the retained business rates worth an additional £(0.4)m and £(3.4)m respectively. These have been supplemented by a further return on our investment in the Manchester Airport Group (MAG) of £(1.0)m following a restructure of the company, including a new equity investment partner.
- 1.4 A period of statutory consultation ended on 12th December 2014. At the conclusion of this consultation, it was estimated that 199 full time equivalent (fte) posts would be deleted from the budgeted establishment, resulting a potential 204 compulsory redundancies. However, after taking into account requests for early release, this number reduced to 144 and was further mitigated by a number of voluntary resignations, which reduced the number down to 124 staff at risk of compulsory redundancy. Since the end of consultation, a further period of collective consultation has commenced with respect to the review of Library Services; this has resulted in an estimated impact of a further 15 full time equivalent posts being deleted, with a potential impact of a further 22 redundancies. Therefore, at this point, it is currently anticipated that the total reduction in posts across the Council will be 212.5, with a potential 141 compulsory redundancies. It should be noted, however, that within the Library Services, a number of staff are likely to seek voluntary early release; therefore some of these compulsory redundancies will be achieved via voluntary measures.
- 1.5 The proposed budget for 2015/16 after robustness, risk mitigation, equality impact assessment and consultation is proposed at £148.914m:
  - which is a reduction of £5.638m or 3.6% on the £154.552m 2014/15 budget,
  - and includes for a Council Tax freeze for the fifth year running, taking advantage of the additional Government grant of an estimated £(0.903)m.
  - The gross budget deficit of £24.7m is made up of reduced Government support £10.1m, and cost pressures £14.6m, which were,

- mitigated by an increase in the Council Tax base of £(0.8)m, partly due to a welcome lower cost of the local Council Tax Support Scheme, increase in the business rate base worth an estimated net increase of £(3.4)m offset by a reduction in use of reserves from £(2.0)m to £(1.0)m reflecting the use of the additional airport dividend received in 2014/15
  - The sum of reduced funding and expenditure pressures presents a total budget deficit for 2015/16 of £21.5m.
  - Efficiency and additional income streams will amount to £(9.5)m being 44% of the gross deficit,
  - £(12.0)m of policy choice savings have been identified being 56% of the gross deficit.
- 1.6 Taking all relevant and reliable matters into account, the Director of Finance has determined that the proposed budget, taken as a whole, is reasonably robust on the basis that the Council approves a minimum reserve level of £(6.0)m.
- 1.7 Future budgets remain challenging with further austerity reductions and increasing demand and costs. The Council estimates that in the period to 2017/18 it will need to address a gross budget deficit of £57m.
- 1.8 The Capital Investment Programme for 2015/18 of £79.7m will see a planned £41.8m of expenditure to support services in 2015/16 alone. Most notable will be expenditure on primary school places, £14.1m; highways, £13.3m; social services clients, £2.7m; and economic regeneration support to the Borough's town centres of £4.8m.
- 1.9 As interest rates are expected to remain low for investments and relatively high for borrowing, any borrowing for 2015/16 will likely be restricted to cover any investment in LED street lighting to be financed from savings in energy costs in the event that proposals to roll-out LED lighting across the borough are approved at a later date by the Executive. It is planned to repay £2m of long term loans reducing the debt portfolio to £93m, and as a consequence to the relatively stable treasury management strategy no significant changes to the Council's prudential indicators is proposed.

## **2. BUDGET CONSULTATION AND STAFF IMPACT**

2.1 A full report on the findings from the budget consultation exercise was reported to the Executive on 26 January 2015. The following is a summary of that report.

2.2 The draft 2015/16 Budget proposals of 20 October 2014 are supplemented by the Reshaping Trafford Council Blueprint document, which sets out how the Council will be changing to manage the fiscal challenges in the coming years. The proposals contained £24.3m of savings which can be thematically summarised as:

- Increase local resilience;
- Generate profit to be re-invested in front line services;
- Manage demand on services through focussing on prevention;
- Deliver good quality services within the funding available to us;

2.3 The proposals per Directorate were summarised as:

### Children Families and Wellbeing - £17.4m

Over the next 2 years, Trafford Council will continue to develop an integrated, all age health, education and social care service, exploring new delivery models:

- Remodel Home To School Transport services;
- A review of mental health care packages;
- Development of a new Early-Help Delivery Model for 0-18 year olds including Children's Centres, Youth Services, Connexions, Education Welfare and Youth Offending Services;
- Deliver a reshaped Social Care offer for adults, looking at promoting independence and resilience through use of equipment, Telecare, local sourced community solutions to meeting needs, voluntary services and new models of support for people with long term needs.

### Economic Growth, Environment and Infrastructure - £2.8m

- The establishment of a Joint Venture Contract for most of our environmental and highways services;
- Senior management restructure;
- A review of parking charges;
- A review of allocation of Schools Crossing Patrols;
- A review of Festive lights funding arrangements.

### Transformation and Resources - £3.2m

- Back office service redesigns and restructures;
- Increased income generation at Waterside Arts Centre and through the Music, Governor and Education Psychology Services;
- Review of our library provision;
- Reviewing our contract arrangements with Trafford Leisure Trust;
- New ways of working within the CCTV control room.

- 2.4 Staff consultation on the proposals began on 10 October 2014 and the public and stakeholder consultation began on 21 October 2014. Both concluded on 12 December 2014. The statutory consultation with recognised trade unions commenced on 9 October 2014 with the issue of a S188 notice.
- 2.5 The main budget consultation ended on 12 December 2014 and the report outlined the approach taken to the consultation, the key messages received, the outcome and how the consultation has shaped the budget proposals, including the impact on staffing numbers. The report did not include the outcomes for Library services as stage 2 of this consultation did not commence until 19 January 2015 and also the consultation on the school crossing patrol service which was extended.

### **Stakeholder consultation**

- 2.6 The main stakeholder groups were: residents through press media and the Council's web site; seven public consultation meetings; staff via briefings and a Reshaping Trafford Council staff newsletter and dedicated website; local businesses through a targeted and promoted event; youth conference including a panel session with the Leader of the Council; adult social care stakeholder groups; Head Teacher groups; partners such as Greater Manchester Police; the Trafford Clinical Commissioning Group; the Cultural Partnership Network; Friends of Parks; Registered Social Landlords and Trafford Housing Trust. Specific consultations were undertaken and reported by external consultants for library services and for early years and adult social care service proposals.

### **Staff and Trade Union consultation**

- 2.7 A more detailed report on the outcomes of the Staff and Trade Union Consultation can be found on the agenda for the Executive 26 January 2015.
- 2.8 Consultation was facilitated by a briefing to all staff and Trade Unions, fortnightly meetings with Trade Unions, service or team level meetings for those recognised as being directly affected and individual meetings with affected staff.
- 2.9 Those staff "at risk" were offered redeployment, early release on the grounds of redundancy or early retirement in order to mitigate the risk of compulsory redundancy. Running alongside the consultation process, Equality Impact Assessment were maintained as live documents.

### **Impact on Staff**

- 2.10 A period of statutory consultation ended on 12th December 2014. At the conclusion of this consultation, it was estimated that 199 Full Time Equivalent (fte) posts would be deleted from the budgeted establishment, resulting a potential 204 compulsory redundancies. However, after taking into account requests for early release, this number reduced to 144 and was further mitigated by a number of voluntary resignations, which reduced the number down to 124 staff at risk of compulsory redundancy. Since the end of consultation, a further period of collective consultation has commenced with

respect to the review of Library Services; this consultation is on-going but has resulted in an estimated impact of a further 15 full time equivalent posts being deleted, with a potential impact of a further 22 redundancies. Therefore, at this point, it is currently anticipated that the total reduction in posts across the Council will be 212.5, with a potential 141 compulsory redundancies. It should be noted, however, that within the Library Services, a number of staff are likely to seek voluntary early release; therefore some of these compulsory redundancies will be achieved via voluntary measures.

2.11 The table below provides a summary of the anticipated impact on staff and posts.

Staffing type	Post reduction in fte	Total number of compulsory redundancies	Percentage of total workforce
Management	35	12	0.4%
Back office/Other	102	44	1.45%
Front line	75.5	85	2.81%
<b>Total</b>	<b>212.5</b>	<b>141</b>	<b>4.66%</b>

### 3. SCRUTINY REVIEW

3.1 The Executive's draft 2015/16 Budget proposals were submitted to the Council's Scrutiny Committee on 17 November and 8 December, following a meeting in October with The Leader and Director of Finance. Scrutiny Committee Members divided the proposals into two areas, Children, Families and Wellbeing and Transformation and Resources/Economic Growth, Environment and Infrastructure.

3.2 The report on the findings of Scrutiny was submitted and considered by the Executive on 26 January 2015. The key messages were:-

- **Management Capacity** - Scrutiny Members had significant concerns that the management capacity to manage the scale of the budget reductions and the changes associated with them will be put under severe strain. The reductions in key support services, including Finance, Legal and ICT, where significant reductions are proposed, increase this risk. The Executive must ensure that these risks are managed in a robust manner and should receive timely updates on any adverse consequences of the changes. Scrutiny Committee will also be tracking this issue through the year.
- **Future Budget Planning** - Concern was raised regarding preparedness for 2016/17 service provision under current budget forecasts for that year. In contrast to previous years' budget setting processes, it is not clear that sufficient consideration has been given to requirements of both funding shortfall and allocation to enable this to be built into the 2015/16 budget to prepare for 2016/17. The Leader indicated to the committee at the outset of the scrutiny process that there will come a point where council tax will need to be increased. In light of DCLG freeze grant arrangements, year two budget planning is therefore particularly relevant to the current process.
- **Performance Management and Quality Assurance Arrangements** - A number of the proposals rely on other providers to deliver services in future. Quality assurance, performance and contract management processes must be robust to ensure that services meet the Council's specification and performance requirements. The Executive need to satisfy themselves that these systems are in place and that managers are using regular and robust information to inform decisions and corrective action needs to be taken at an early stage.
- **Impact on Users** - The session on Children, Families and Wellbeing in particular raised a number of issues where proposals have a potential impact on service users. Equality impact assessments were still in the process of being completed at the time of the meetings so Scrutiny Members were not able to assess this as part of their work. The Executive must demonstrate that they fully understand the impact of changes on users and ensure that robust action plans are in place to address potential problems for vulnerable users. They should monitor the implementation of the changes and ensure that any unintended or unpredicted impacts are identified and addressed.
- **Lobbying** - The Executive should lobby Government for additional funding to ensure that Trafford services to vulnerable people are protected.

Service Specific Issues:-

- **Supporting People** - Ensure that risks for service users have been properly assessed and that service changes take the risk assessment process fully into account.
- **Mental Health Services** - The Executive must have assurance that services to people with needs will be sufficient and that proposals for savings will not have an adverse impact on vulnerable service users.
- **Mental Health Services** - Ensure that proposals in relation to CAMHS are backed up with plans to mitigate the impact of any reductions in funding.
- **All Age Integrated Health And Social Care** – Ensure that the Council’s safeguarding responsibilities are managed through the change process.
- **Learning Disabilities** - Ensure that robust processes are in place to ensure that the savings are achieved and that risks for service users are managed effectively.
- **Early Help Delivery Model** - Ensure that there is adequate time for alternative providers or community groups to put plans in place to take on provision
- **Support Services** - Scrutiny Members are concerned about the issue of capacity to manage change, and in particular unexpected and emerging challenges, and the role of support services in this. The Executive must ensure that these risks are managed in a robust manner and should receive timely updates on any adverse consequences of the changes.

3.3 The Executive’s response to the Scrutiny recommendations can be found elsewhere on the agenda and Members are requested to treat that report as part of the overall budget bundle for the purposes of decision making.



#### 4. RESOURCE POSITION

- 4.1 Local Government is funded from three main sources, council tax, revenue support grant and a share of business rate income. The overall resources available to support the 2015/16 budget have fallen from £(154.552)m in 2014/15 to £(148.914)m, a reduction of £5.638m or 3.6% and a breakdown of this is as follows:-

<b>Comparison of Resources Available</b>	2014/15 £m	2015/16 £m	Change £m
Settlement Funding Assessment (a)	(72.735)	(63.700)	9.035
Council Tax	(79.510)	(80.316)	(0.806)
Council Tax Surplus	(0.300)	(0.300)	
Retained Business Rates (b)		(3.598)	(3.598)
Reserves (c)	(2.007)	(1.000)	1.007
<b>Total</b>	<b>(154.552)</b>	<b>(148.914)</b>	<b>5.638</b>

Note:

- (a) In the announcement on 3 February 2015 of the final Local Government Finance Settlement 2015-16, an additional £74m nationally has been provided to upper –tier authorities “to assist them in dealing with pressures on local welfare and health and social care”. This amounts to £242k for Trafford and will be paid through Revenue Support Grant
- (b) this is the Council’s share of growth in business rates, before the payment of any levy;
- (c) the use in 2015/16 relates to the interim dividend received from Manchester Airport in 2014/15

- 4.2 The total available resource to support the 2015/16 budget is £148.672m which represents an increase of £4.893m from the position when the draft budget was considered.

<b>Change in Resources since October 2014</b>	<b>Draft Budget (October) £m</b>	<b>Proposed Budget £m</b>	<b>Change £m</b>
Financial Settlement	(63.571)	(63.700)	(0.129)
Council Tax	(80.208)	(80.616)	(0.408)
Business Rates Growth		(3.598)	(3.598)
Reserves		(1.000)	(1.000)
	<b>(143.779)</b>	<b>(148.914)</b>	<b>(5.135)</b>

#### Government’s Local Government Finance Settlement

- 4.3 An update on the local government finance settlement was reported to the Executive on 26 January 2015. The Government provides support to councils through general grant, notably Revenue Support Grant, specific grants and through the relatively new Business Rates Retention Scheme.

- 4.4 The analysis of the year-on-year changes contained within the Local Government Finance Settlement is complex as it includes for:
- Changes to control totals;
  - Movements between the three funding types;
  - Recompense for new burdens or regulatory changes affecting income, such that increases must be considered net of new expenditures or income losses;
- 4.5 The Settlement Funding Assessment (SFA) represents the large block grant given to each local authority; authorities are free to decide how to spend this grant. It comprises of two elements, Revenue Support Grant and a share of business rates. The national settlement funding assessment (spending control total) has been set at £20.832bn in 2015/16, a reduction of £3.280bn or 13.60% on the adjusted 2014/15 position. Trafford's reduction is 14.1 - see table below. The 2015/16 national total includes for:-
- A reduction in the holdback for the New Homes Bonus by £50m from £1bn to £950m;
  - The roll in of the 2014-15 council tax freeze grant and into Revenue Support Grant;
  - Compensation for the 2% cap on the small business rates multiplier;
  - Hold back £50m for the cost of the rates retention safety net;
  - The inclusion of £129.6m in respect of New Local Welfare Provision;
  - A "small" transfer out in respect of carbon reduction commitment;
  - £74 million to upper-tier authorities to recognise that such councils have asked for additional support, including to help them respond to local welfare needs and to improve social care provision.

Trafford's settlement funding for 2015/16 is £63.700m and represents a 14.14% reduction on the adjusted 2014/15 position. Compared to the draft budget assumption the allocation represents an increase £(0.129)m.

	<b>Adj 2014/15 £m</b>	<b>2015/16 £m</b>	<b>Reduction £m</b>	<b>Reduction %</b>
<b>England</b>	<b>24,112.195</b>	<b>20,832.539</b>	<b>3,279.656</b>	<b>13.60%</b>
<b>AGMA:</b>				
Bolton	135.336	115.081	20.255	14.97%
Bury	72.414	61.849	10.565	14.59%
Manchester	355.289	300.611	54.678	15.39%
Oldham	129.127	109.685	19.442	15.06%
Rochdale	122.672	104.589	18.083	14.74%
Salford	146.064	124.045	22.019	15.07%

Stockport	96.768	82.674	14.094	14.56%
Tameside	112.551	95.473	17.078	15.17%
<b>Trafford</b>	<b>74.187</b>	<b>63.700</b>	<b>10.487</b>	<b>14.14%</b>
Wigan	141.139	120.052	21.087	14.94%
<b>GM Average</b>	<b>1,385.547</b>	<b>1,177.759</b>	<b>207.788</b>	<b>15.00%</b>

- 4.6 In addition to the increase in SFA of £0.129m other adjustments were announced in the funding settlement with a net impact of a further reduction of £0.103m and these are included in the changes in government funding in Annex D. The total net change in Government support, including other specific grants is an increase of £0.026m compared to the assumption at draft budget; an overall reduction of £10.123m.

### Council Tax

- 4.7 The Government has in recent years established a 2% limit on raising Council Tax before a referendum must be called. However, if a Council does not raise Council Tax the Government has offered additional funding worth an equivalent of a 1% increase in Council Tax. The Council is therefore left with a difficult choice of either placing a burden on residents of £1.6m, or accepting additional Government support of £(0.9)m.
- 4.8 Increasing the Council Tax above the Government set threshold would require a referendum to be held. Should the result not be in favour of a higher Council Tax, there would be a delay in implementing a consequent savings programme requiring the additional use of reserves. **The proposed budget is based on a freeze for the fifth year in succession; Members do have the discretion to agree an increase in Council Tax.**
- 4.9 A modest increase in our Council Tax Base of 1.0% to reflect a forecast in the growth in the number of houses and lower than anticipated cost of the Council Tax Support Scheme has been built into the on-going budget funding; this represents an increase of £(0.806)m, which is £(0.408)m above assumptions in the draft budget. Furthermore, the lower costs of Council Tax Support Scheme together with a decrease in single person discounts, has provided for a surplus on the Collection Fund during the current financial year. A contribution from the surplus of £(0.3)m was built into the 2014/15 budget and will continue into 2015/16.

### Business Rates

- 4.10 The Government's Business Rates Retention scheme, introduced in 2013/14, is intended to encourage councils to increase business activity in their area such that they can share to a limited extent in the economic growth. There are many uncertainties with regard to this scheme for Trafford; how it works and the associated risks are outlined in Annex C. A major risk relates to business rate appeals but this has been largely mitigated by the inclusion of a provision for any back-dated costs in the 2013/14 accounts. At the time of the draft budget, there was no assumption that the new scheme would result in additional resources. Further updates from the Valuation Office Agency (VOA)

has provided sufficient evidence to allow the Council to forecast a projected surplus of £(3.489)m for the current financial year (2014/15) with Trafford's share £(1.710)m (net of levy) being £(0.855)m. This additional one off resource has subsequently been included in the proposed budget for 2015/16.

- 4.11 The forecast of business rate yield included on the NNDR1 form 2015/16 submitted to DCLG in January included for a net yield of £161.238m, which represents an increase over the baseline target set by the Government of £3.696m. Trafford retains 49% of this growth, with 50% paid to the Government and 1% paid to the Fire and Rescue Authority. The Council is normally required to pay a levy to the Government of 50% of any growth; however in 2015/16 the Council has agreed to join a business rate pool with the other AGMA districts and Cheshire East which means any levy payments are retained within the pool for the benefit of the area. In respect of any levy paid by Trafford it has been agreed with the other Pool members that the Council can retain one third for its own use.
- 4.12 The calculation of the amount of business rates to be retained is complicated. The accounting arrangements add a further layer of complexity and further still, the compensation arrangements for measures announced in the past two autumn statements make the whole scheme far from transparent. A summary of the business rate position is as follows:-

<b>Calculation of Additional Business Rates Income 2015/16</b>	2015/16 Estimate £m
Net Yield	(161.238)
Local Share (49%)	(79.007)
Less Tariff (Set by Govt)	44.142
Retained Rates	(34.865)
Government Baseline	(33.054)
<b>In Year Growth (A)</b>	<b>(1.811)</b>
Add Estimated surplus from 2014/15	(1.710)
<b>Total Available before deduction of Levy</b>	<b>(3.521)</b>
Add Section 31 Grants 2015/16	(1,663)
<b>Total Income subject to levy</b>	<b>(5.184)</b>
Total Levy @50%, of which	2.592
Deduct Levy 2014/15 @ 50%	0.855
Deduct Levy 2015/16 @ 50%	1.737
<b>Net Income</b>	<b>(2.592)</b>
Add GM Pool Rebate(one third 15/16 Levy)	(0.579)
Add increase in 2% cap grant	(0.136)
Add Renewable Energy (retained in full)	(0.077)
<b>Total Additional Business Rate Related Income after levy</b>	<b>(3.384)</b>

Note:

- (a) Section 31 grants reimburse local authorities for Government initiatives to reduce the burden on business rates eg Retail Relief and extension of small business rate relief.

## 5. Reserves

### Reserves Overview

- 5.1 The Council has both cash-backed and non-cash backed reserves. Non-cash backed reserves are created for statutory accounting purposes only ie they do not represent resources available for use by the Council. Cash back reserves are monies set aside for a future possible event that is either planned or dependent upon potential future circumstances. Each reserve is subsequently used to mitigate the impact on the base budget should certain eventualities happen, such as insurance claims and severance costs to staff as the Council downsizes.
- 5.2 Total Council reserves at 1st April 2014 were £(81.3)m, of which £(13.4)m belonged to schools, £(27.32)m was committed to finance the capital programme, £(15.9)m of accounting adjustments largely relating to the Business Rates scheme, £(10.98)m General Reserve, leaving a balance of £(13.77)m the majority of which resides in the insurance reserve £(3.4)m, Employee Rationalisation Reserve £(2.4)m to provide for the costs of reorganisation as a result of continued austerity and smoothing reserves £(3.8)m to even out variable revenue expenditure over time (eg Waste Levy)
- 5.3 Reserves are reviewed throughout the year, but particularly at the time of establishing the budget and closing down the accounts at the end of the year. The Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure. Further details of the assumptions made in establishing this balance are covered in Annex N, based on these assumptions the Director of Finance is advising the Council to set a minimum level of £6m for the General Reserve as assessed in the following table. The overall risk has been reduced by 28% to reflect that all risks are unlikely to occur at the same time.

<b>Table 1: Advised minimum level of General Reserve</b>	<b>2015/16 £m</b>
Tax & Treasury Management	0.31
Pay & inflation	1.04
Fees and Charges	0.10
Emergency & Disaster Recovery	1.29
Efficiencies	2.15
Demand led budgets	0.70
Other Pressures	0.43
General Fund Financing	2.43
<b>TOTAL</b>	<b>8.45</b>
<b>Risk reduction of 5%</b>	<b>(2.37)</b>
<b>Advisory level of minimum reserve</b>	<b>6.08</b>

Based on the latest available 2014/15 revenue budget monitoring information, the expected balance on the General Reserve as at 1 April 2015 and the uncommitted balances for future years is as follows:

<b>Forecast General Reserve level</b>	<b>Forecast (£000's)</b>
<b>Balance brought forward 31 March 2014</b>	<b>(10,980)</b>
<b>Commitments 2014/15:</b>	
Planned use for 2014/15 Budget (agreed 19 Feb 2014)	2,007
Additional support for Adult Services (agreed at Council 17 September 2014)	1,582
Learning Disability budget in-year underspend	(1,017)
Support to help deliver future CFW savings (agreed by Executive 1 December 2014)	500
Planned use for one-off projects 2014/15	207
Underspend on Council-Wide budgets	(1,881)
Balance on Earmarked Reserves released to General Reserve **	(752)
Learning Disability Pool Deficit Reserve Write Down	3,022
<b>Forecast balance 31 March 2015</b>	<b>(7,312)</b>
<b>Commitments 2015/16:</b>	
Planned base budget support 2015/16 (Re Airport Dividend)	1,000
<b>Forecast balance 31 March 2016</b>	<b>(6,312)</b>

\*\* A review of Earmarked Reserves has resulted in a realignment of resource requirements enabling £(0.752)m to be released into General Reserve. An amount of £(0.473)k was released from the Waste Levy Smoothing Reserve used to smooth the potential volatility of annual increases in the waste levy during the construction phase of the PFI facilities. A further amount of £(0.279)k was released from the Manchester Airport Group Debt Restructure Reserve as described in paragraph 5.10

The above table shows a modest balance of 5% over the recommended minimum level of £6m.

## Use of Reserves

5.4 In addition to the general reserve there are a number of other earmarked reserves and provisions held for specific purposes, in summary these are:

<b>Reserve Statement (estimated as at February 2015)</b>	<b>Estimated Balance at 1 April 2015 (£000's)</b>	<b>Estimated net spend 2015/16 (£000's)</b>	<b>Estimated Balance at 31 March 2016 (£000's)</b>	<b>Estimated net spend 2016/17 (£000's)</b>	<b>Estimated Balance at 31 March 2017 (£000's)</b>
Schools General	(13,252)		(13,252)		(13,252)
Schools Synthetic Pitches	(135)	(15)	(150)	(15)	(165)
<b>Schools Total</b>	<b>(13,387)</b>	<b>(15)</b>	<b>(13,402)</b>	<b>(15)</b>	<b>(13,417)</b>
<b>Non-Schools Earmarked Reserves:</b>					

Insurance	(2,746)	172	(2,574)	101	(2,473)
Revenue Projects	(667)	311	(355)	271	(84)
Employee Rationalisation	(2,250)	1,111	(1,139)	1,139	0
Transformation Reserve (including CFW Trans Res)	(1,318)	1,068	(250)	250	0
Services' Reserves	(364)	0	(364)	0	(364)
Smoothing Reserves	(1,520)	69	(1,451)	(75)	(1,526)
<b>Total</b>	<b>(8,865)</b>	<b>2,731</b>	<b>(6,133)</b>	<b>1,686</b>	<b>(4,447)</b>
<b>General Reserve</b>	<b>(7,312)</b>	<b>1,000</b>	<b>(6,312)</b>	<b>0</b>	<b>(6,312)</b>
<b>Total of non-School Revenue Reserves</b>	<b>(16,177)</b>	<b>3,731</b>	<b>(12,445)</b>	<b>1,686</b>	<b>(10,759)</b>

5.5 Once a reserve has been established, authorisation to call upon the reserve can be delegated to an appropriate officer. Many reserves are directly managed by the Director of Finance, and updates are provided within the 10 monthly revenue monitoring reports with a detailed report provided to the Accounts and Audit Committee on an annual basis. The review of reserves has been carried out as part of the budget processes and included in the table above. The significant changes worthy of noting are summarised below.

### General Reserve

5.6 It has been one of the Council's policies of the Medium Term Financial Strategy to reduce and/or keep low the use of reserves expenditure; instead using reserves to finance one-off or short term service investments. Due to the good budgetary performance of the Council, this had allowed a margin to accumulate above the minimum £6m in the General Reserve. No contribution from General Reserve was originally assumed in the 2015/16 draft budget, however Manchester Airport Group (MAG) recently announced their interim results for 2014/15 and have paid a total one off dividend of £(1.0)m to the Council. At year end this windfall will roll forward and is planned to be released as a one off contribution to the 2015/16 budget.

### Learning Disability Pool Reserve

5.7 Trafford has operated a pooled fund for Learning Disability Services in conjunction with Trafford Clinical Commissioning Group (CCG), (previously PCT), since 1 April 2003. The Council acts as the lead accounting body for the pooled fund, which is managed jointly by the Council and the CCG. The pool provides a wide variety of services to Learning Disability adults in Trafford, including a joint community team, extensive specialist residential provision, a range of supported placements, support in the home and external and in-house day care.

5.8 The net expenditure for 2013/14 was in the region of £22m which was financed 90% by the Council and 10% by the CCG. As a result of increasing client demand above budget over a period of years a historic deficit has accumulated on the pool which stood at £3.022m at 31<sup>st</sup> March 2014. Plans to reduce the deficit together with a negotiated contribution from the CCG had been anticipated during 2014/15, however as the CCG became a new NHS



commissioning organisation it did not inherit any historic liabilities in respect of the Pool.

- 5.9 The Council could work with the CCG over considerable time to reduce the accumulated deficit on the LD Pool by reducing spend, however with the persistent pressures on demand and the already reduced expenditure commitments in the medium term plan, it is not considered prudent to continue to carry forward the deficit indefinitely. As such, the total Learning Disability Pool deficit will be written down before the 2014/15 year end to a zero balance, using a contribution from the General Reserve. Nevertheless, dialogue with the CCG about the historical financial position of the Pooled budget will continue.

### **Employment Rationalisation Reserve**

- 5.10 The Employment Rationalisation Reserve is maintained for the costs of severance and related costs of structural change over and above the revenue budget provision. The balance at the beginning of 2014/15 stood at £(2.414)m. Based on the projected redundancy costs in 2015/16 and an estimate for a similar number of staff in 2016/17 and 2017/18 this reserve will need to be replenished with an extra £1.4m. This has been achieved by a realignment of the Insurance Reserve (releasing £0.530m) and the Manchester Airport Group (MAG) debt restructure reserve (releasing £1.149m) as a result a reappraisal of the relative level of risks. The Debt Restructure reserve was established in recognition of risk of default by MAG on an unsecured long term loan made by the Council. The MAG Group is now in a much stronger financial position, as evidenced in their latest financial trading statement, which has allowed the reserve to be reduced accordingly.

## 6. PROPOSED BUDGET 2015/16

- 6.1 The draft budget presented to Executive in October 2014 has been reviewed and updated to take account of any new cost pressures, issues raised during the public consultation, the update of the local government finance settlement and other funding changes (See Section 4), scrutiny and a review of robustness. It must be noted that at this stage further decisions are still to be made on areas of the budget still subject to on-going consultation which could have an impact on the 2015/16 budget, with final decisions to be taken by the Executive in March on the joint venture, fair price for care and libraries.
- 6.2 The total proposed budget for 2015/16 is £148.914m and reflects a reduction of £5.638m compared to 2014/15. Since the draft budget was reviewed by the Executive in October there have been a number of changes to both funding (See Section 4) and to cost pressures which are summarised below. A detailed list of funding and changes to net budget are included at Annex D.
- 6.3 Movements in expenditure and funding and the impact on the overall deficit position is summarised below. The table shows the updated gross budget deficit, or gap, to be 21.5m, which is an improvement from the forecast position in October.

2015/16 Budget	2015/16 Oct 2014 Draft Budget (£m)	2015/16 Final Proposed Budget (£m)	Change (£m)
Expenditure Pressures	11.9	14.0	
2014/15 Savings Targets not achieved	0.6	0.6	
<b>Total Budget Pressure</b>	<b>12.5</b>	<b>14.6</b>	<b>2.1</b>
Government Funding Reduction (incl service specific grants)	10.2	10.1	(0.1)
One off Contribution – Airport Dividend from General Reserve	2.0	1.0	(1.0)
Increase in Council Tax Base	(0.4)	(0.8)	(0.4)
Business Rates (net increase 15/16)		(2.5)	(2.5)
Business Rates (net surplus 14/15)		(0.9)	(0.9)
<b>Total Resource Pressure</b>	<b>11.8</b>	<b>6.9</b>	<b>(4.9)</b>
<b>Total Budget Deficit</b>	<b>24.3</b>	<b>21.5</b>	<b>(2.8)</b>
Efficiencies & Additional Income	(12.0)	(9.5)	(2.5)
Policy Choice	(11.7)	(12.0)	0.3
<b>Total</b>	<b>(23.7)</b>	<b>(21.5)</b>	<b>(2.2)</b>
Imbalance	0.6	0	

### Cost pressures

- 6.4 A summary of pressures and savings can be found below and in the subjective and objective analyses at Annexes G & H.

- 6.5 The Council's costs of operation increase year on year, primarily due to inflation, but also due to demand changes in mandatory services such as social care services. The following lists a summary of the estimated increase in costs, and more detail is provided at Annex D. Total expenditure pressures for 2015/16 are £14.6m, an increase of £2.1m since the draft budget.
- 6.6 **Inflation**  
Inflation has started to fall in recent months with headline rates at their lowest in 12 years, however given the sporadic nature of the changes, assumptions remain as those anticipated at the draft budget stage. Overall inflation still remains a considerable pressure and a total provision of £3.4m has been made in the proposed budget.
- 6.7 **Increase in Demand**  
Increased demand across all client groups for social care is expected to require additional service investment of £9.1m in order for the Council to meet its legal obligations. This figure includes £6.5m identified earlier in 2014 as a result of a significant under reporting of the Council's financial position in adult services.
- 6.8 **Levies and Third Party Payments**  
The cost of levies, particularly Waste Disposal delivered by the Greater Manchester Waste Disposal Authority on the Council's behalf, is expected to increase by £0.3m. The other major levy is for Public Transport services, such as subsidised bus services and concessionary fares; Greater Manchester Combined Authority have confirmed a reduction in levy in 2015/16 of £(0.2)m since the draft proposals.
- 6.9 **Pay and Pensions**  
A provision of £1.2m was made for pay and pension increases in our draft budget. The national pay award for 2014/15 and 2015/16 has since been settled, offering an average of 2.2% over the two years; this has added a further pressure of £0.173m.
- 6.10 **Prior Year Savings**  
As part of on-going monitoring the CFW and EGEI Directorates have identified £0.585m of 2014/15 savings targets which are unlikely to be realised. These savings have been carried forward into the 2015/16 budget as an expenditure pressure. This represents no change since October
- 6.11 **Other Changes**  
The improved financial position since October 2014 means that the Council does not have to save as much money in 2015/16. However, the medium term outlook continues to look extreme and as such does not allow for the cancellation of the various savings initiatives. If any were cancelled they would surely come back as proposals for 2016/17 with a fresh round of consultation. What the changed position offers is more time to deliver the savings, consistent with Scrutiny's concern over capacity; in some cases a different way of achieving the saving will be carried out.

Whilst the Local Welfare Grant funding for the Trafford Assist scheme ceased in 2015/16. It is proposed to continue with this scheme during 2015/16 at a cost of £0.554m. Other pressures since the draft budget include:

**Changes in budget assumptions:-**

- Additional cost of pay award £0.173m
- Increase in Treasury Management costs £0.300m
- Increase in bad debt provision £0.200m
- Reduction in Transport Levy £(0.205)m
- T&R savings realignment £0.106m
- Reduction in adopter fee income of £0.100m
- Reduction in Housing Benefit Subsidy £0.150m
- Reduction in superannuation additional allowances £(0.195)m
- Increase in Redundancy Provision £0.165m

**Recommended additional investment:-**

- Increase in the CFW commissioning budget for youth of £0.130m;
- Increase in deprivation of liberty costs £0.200m;
- Increase in CFW capacity building £0.170m and
- £0.7m general contingency to cushion against savings proposals generally
- Increase in foster carer fees £0.100m

6.12 The specific savings proposals are listed and discussed in more detail within the service narratives which can be found at Annexes I to L. Detailed Schedules of Savings for each service area can be found on the following pages

- Children, Families and Wellbeing – Pages 73 to 98
- Economic Growth, Environment and Infrastructure – Pages 99 to 104
- Transformation and Resources – Pages 105 to 115
- Council Wide – Page 116 to 121

6.13 The proposed budget for 2015/16 includes for £21.5m of cost reductions and new income. These are detailed in the service narratives but reflect a reduction of £2.8m since the draft budget. The total budget savings and changes since draft are detailed below:-

- £(2.250)m through the establishment of our Joint Venture Contract for a range of environment, highways and property services; in addition a further £(0.086)m is proposed through a management restructure which merges two directorates into one.
- Our Reshaping Trafford Council Programme will save £(1.568)m by refining the new structure for central support services with resilience to support the business, commercial opportunities and new partners.
- £(0.026)m increased income by Waterside Arts Centre and £(0.135)m from the Music, Governor and Education Psychology Services.

- A target of £(0.550)m from a review of our library provision.
- £(0.451)m from reviewing our contract arrangements with Trafford Leisure Trust.

Over the next 2 years, Trafford Council will continue to develop an integrated, all age health, education and social care service, exploring new delivery models. The following savings in 2015/16 will support this activity:

- £(2.717)m by establishing alternative delivery options for the Reablement Service, learning disability services, day support services and Telecare. The savings since draft budget have increased by £0.5m
- £(1.330)m by establishing a new delivery model for integrated education, health and care commissioning and service delivery on an all age basis.
- £(2.416)m from the review and renegotiation of care contract costs.
- £(1.430)m from the review of care package offers and a policy change in the way we meet eligible needs. This saving has reduced by £1.0m since draft budget stage.
- £(3.684)m from the review of Early Years, Youth Service, Connexions, Education Welfare, Youth Offending Services and Children's Centre provision.
- £(0.100)m by increasing personal budgets across children and young people with special educational needs.
- £(0.300)m by remodelling Home to School Transport services.
- £(2.000)m agreed contribution from the Better Care Fund which is a shared budget with the Trafford CCG with the aim of providing more effective integrated health and social care services. This saving has reduced by £2.3m to allow more time for alternatives to be explored with the CCG.
- £(1.500)m via a commissioning review of non-mandatory adults care services.

There are additional savings proposals, outlined below which will help the Council to deliver services within the funding available to us:

- £(0.231)m through a review of parking charges.
- £(0.136)m from rationalising Schools Crossing Patrol.
- £(0.093)m charges for allotments and other fees and charges.
- £(0.497)m of other savings achieved by management of inflationary pressures, discretionary business rate provision now accounted for within the Collection Fund and a reduction in the cost of Members' Allowances.

In addition to the above savings, our proposals allow for investment in priority service areas, namely :

- in particular, an investment of £8.5m in Adult Social Care and £0.9m in Children's Social Care to meet the expectations of increasing service demands,
- Investment of £0.073m revenue and £0.150m capital expenditure on plans to reduce litter, fly tipping and improve recycling by targeting areas of the borough.
- The provision of a free school meal for every infant pupil (key stage1), funded by an additional specific grant approximately £2.84m in 2015/16.
- The Council Tax will remain frozen at the 2010/11 rate, keeping it the lowest in the North West.

6.14 The Fees and Charges Report can be found elsewhere on the agenda, and Members are requested to treat this report as part of the overall budget bundle in their decision making process. The majority of fees and charges are set by regulation, and where the Council has more influence there are issues of customer impact, competition and economic conditions to take into account. Additional income to the Council by way of fees and charges in 2015/16 is estimated at an additional £(0.3)m.

### Proposed Revenue Budget 2015/16

6.15 The following table summarises at Directorate level, and then by Executive Portfolio, the year-on-year movement between the 2014/15 budget and the 2015/16 proposed budget.

2015/16 proposed summary budget, compared to 2014/15	2014/15 Budget (£000's)	Move-ment (£000's)	2015/16 Final Budget (£000's)	Change (%)
<b>Children, Families &amp; Wellbeing:</b>				
Schools - DSG	0	0	0	0.0%
Children & Families	30,810	(2,272)	28,538	(7.4)%
Adult Social Services	50,434	(1,657)	48,777	(3.3)%
Public Health	(868)	0	(868)	0.0%
<b>Total</b>	<b>80,376</b>	<b>(3,929)</b>	<b>76,447</b>	<b>(4.9)%</b>
<b>Economic Growth, Environment &amp; Infrastructure:</b>				
Technical & Environment Services	31,442	(1,337)	30,105	(4.3)%
Operational Services for Education (Catering, cleaning & transport)	(72)	131	59	181.0%
Growth & Regulatory Services	2,087	(62)	2,025	(3.0)%

<b>Total</b>	<b>33,457</b>	<b>(1,268)</b>	<b>32,189</b>	<b>(3.8)%</b>
<b>Transformation &amp; Resources</b>	<b>10,764</b>	<b>(1,158)</b>	<b>9,606</b>	<b>(10.8)%</b>
<b>Communities &amp; Partnerships</b>	<b>3,182</b>	<b>(483)</b>	<b>2,699</b>	<b>(15.2)%</b>
<b>Finance Services</b>	<b>3,614</b>	<b>452</b>	<b>4,066</b>	<b>12.5%</b>
<b>Council-wide budgets</b>	<b>23,159</b>	<b>748</b>	<b>23,907</b>	<b>3.2%</b>
<b>Total Net Budget</b>	<b>154,552</b>	<b>(5,638)</b>	<b>148,914</b>	<b>(3.6)%</b>

## 7. SCHOOLS FUNDING & BUDGETS 2015/16

### Background

- 7.1 Schools are funded from ring fenced grants, the most notable of which is the Dedicated Schools Grant or DSG. This funding cannot be used for any other Council function, and essentially schools operate within their own fund with any under or over expenditures being taken forward into future years. DSG can be divided into three main areas:
- **Schools block** : approximately £141m for the Borough of Trafford which essentially funds schools' budgets. This includes circa £56m for academies which is determined by the Local Schools Funding Forum and Council but paid to the Education Funding Agency (EFA).
  - **High Needs block** : approximately £24m which primarily supports Special Educational Needs expenditure. This includes £10m to pay for Trafford Special Schools.
  - **Early Years block** : approximately £12m, which finances educational provision for 2 to 5 year olds in both LEA Schools and Private, Voluntary and Independent (PVI) settings.
- 7.2 The DSG is apportioned between authorities largely based on pupil numbers and historical out of date formulae. The final grant level for 2015/16 will not be finalised until March when the early years census data has been collated.
- 7.3 Locally, the schools funding forum, which comprises of representatives from Primary, Secondary and Special Schools, will make recommendations to the Council on the formula that should be used to distribute monies to individual schools.
- 7.4 The Schools Funding Forum has recommended that 78% of the formula be allocated on basic entitlement. The total formula for mainstream schools amounts to £141.059m of which the Funding Forum have recommended £110.032m (78%) be allocated according to Basic Entitlement (BE) per pupil. The BE rates are £2,642 per primary pupil and £4,211 per secondary pupil. The formula was considered by the Funding Forum on 13<sup>th</sup> January 2015 agenda item 7 and 14<sup>th</sup> October 2014 agenda item 7.
- 7.5 Full details of the funding formula as recommended by the Schools Funding Formula and Council Executive are shown in Annex F.

### Government Funding

#### DSG

- 7.6 Whilst distribution to Trafford is dependent upon the census count of pupil numbers, the national control total for *schools* funding is expected to be a £nil increase in 2015/16. Trafford is one of the lowest funded local authorities in



the country and we are pressing the Government to introduce a more transparent method of distributing funding. Trafford is an active member of the f40 group which is campaigning vigorously for this change. The existing distribution is based upon historical spend plus data which no longer has any rationale, as recognised by the Department for Education. (DfE)

The Government did promise a wide radical consultation on school funding to be launched in January 2014. This did not occur but additional funding designed to partly address the problem was announced in July 2014. The national pot for this purpose was £380m of which Trafford received just £97k in comparison to Salford (which is higher funded than Trafford) which received an additional £2.9m. A letter is being drafted to the Minister of Schools from the Forum expressing concern as to how these additional monies were distributed.

### **Pupil Premium Grant (PPG)**

- 7.7 In 2015/16 schools will receive £1,300 per eligible Primary pupil and £935 for eligible Secondary pupil which is worth in total (£7.3m) This money is designed to bridge the attainment gap for pupils who are in receipt of free school meals.
- 7.8 There is a high rate of PPG for children who are or have been in care; this is worth £1,900 per pupil and totals £240k. A further amount of £456k is administered centrally and allocated to schools on the basis of the child's need set out in their personal education plan

### **Universal Infant Free School Meals (UIFSM)**

- 7.9 From September 2014 every infant (key stage1) pupil is entitled to a free school meal. This is funded by an additional specific grant amounting to £2.30 per pupil and will total approximately £2.84m in 2015/16 (including academies).

### **6<sup>th</sup> Form Funding**

- 7.10 There are two schools with 6<sup>th</sup> forms (Stretford Grammar and Blessed Thomas Holford) that are not academies and their sixth form funding comes via the Education Funding Agency and amounts to circa £1.3m. Sixth form funding for schools is reducing in line with that given to 6<sup>th</sup> form colleges and is therefore a pressure on all schools which have 6<sup>th</sup> forms.

### **Local Funding Distribution**

- 7.11 Distributing funding across schools, recognising deprivation and special educational needs (SEN) factors, has become increasingly difficult at a time of no growth in resource availability. There are schools who do not receive any deprivation or SEN monies and as a consequence find it increasingly difficult to set sustainable balanced budgets to cover basic needs.
- 7.12 Individual schools are protected by a nationally prescribed Minimum Funding Guarantee (MFG). This is set at -1.5% per pupil for 2015/16 and means that a

school's budget cannot fall by more than 1.5% per pupil from the previous year, regardless of any formula changes that are made.

- 7.13 The Schools Funding Forum has recognised that secondary schools are relatively well funded compared to primary schools. However, there are no specific proposals to address this because of lack of additional funding and the impact the MFG has on formula changes.
- 7.14 Early Years funding is distributed by the Early Years Single Funding Formula (EYSFF), which is currently under review.

### **Pressures on schools**

- 7.15 Schools are required to manage demands on their delegated budgets, including:
- pay awards, of 1% or higher;
  - increased pension contributions;
  - inflation at a prevailing average, forecasted to be 1.9%, but with heating and lighting costs expected to be in excess of this;
  - Reduction in 6<sup>th</sup> form funding.
- 7.16 The f40 Group have calculated that a typical secondary school would require an additional £350k to meet additional cost pressures from 2016/17. This is equivalent to ten teachers, however this is more significant to schools such as those in Trafford, which are relatively low funded.
- 7.17 As a consequence of funding pressures on the non-schools areas of the budget, some educational support services are either being reduced or moving into a buy-back or trading service, with the intent that schools will pay for those services in future. With limited funding, schools will have to decide between continuing these services, other buy-back services and their own core budgets.
- 7.18 Some schools have reserves they can call on, and the Council will work closely with any maintained school that is experiencing financial difficulty to draw up a recovery plan. Short term loans are available based upon a balanced recovery plan, and there is a centrally held organisational change provision to assist with reorganisation.

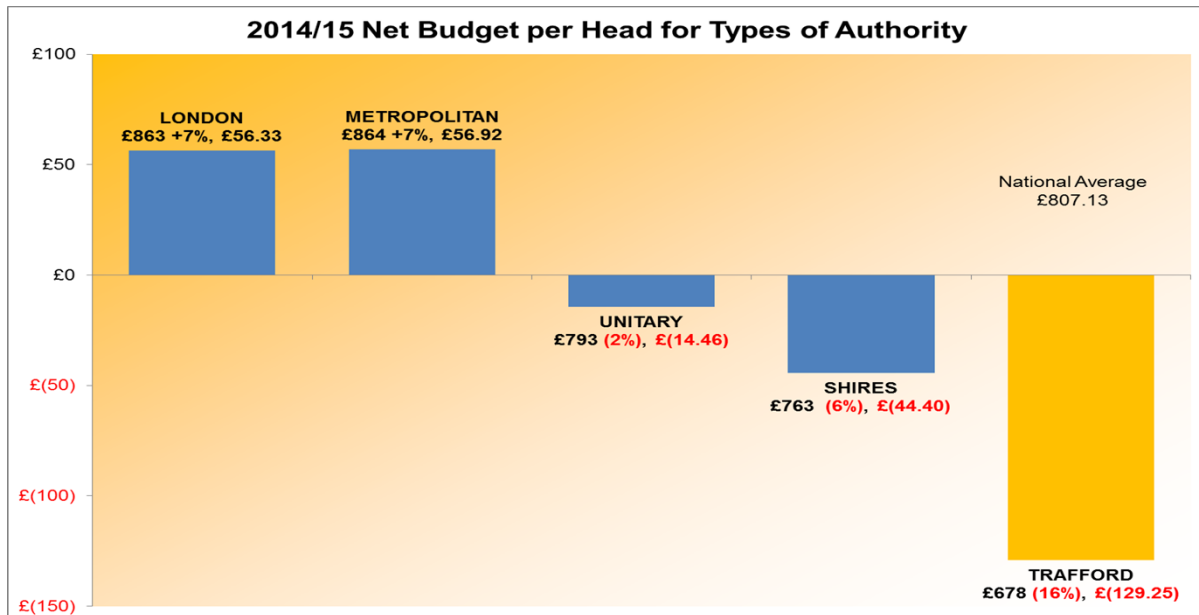
## **8. RISK, ROBUSTNESS AND RESERVES**

- 8.1 It is a requirement of the Local Government Act 2003 for the Council's Chief Finance Officer to give an opinion as to the robustness of the budget proposals (s25) and the adequacy of reserves (s26). These opinions are provided to Members to assist in their determination as to whether the proposed budget is sufficient to meet the needs of the Council.
- 8.2 Members' attention is drawn to the statement by the Director of Finance attached at Annex M, which should be taken into account before approving the budget. The year ahead presents a number of financial challenges, and in particular there are areas of uncertainty for which mitigating action is included in the budget and/or reserves, if required;
- The scale of savings required, over and above that delivered in the previous five austerity budgets, and in particular the CFW directorate, will be demanding on the capacity of managers and staff;
  - A number of savings are still to be agreed, including those subject to consultation;
  - The outcome of the current Joint Venture procurement contract will not be known until after the budget has been agreed;
  - The Council could face legal challenge in the decisions it makes, and whilst every effort has been made to guard against the likelihood of successful challenge, the costs of defending any such proceedings could be significant;
  - The uncertainty that exists on demand led services;
  - The reliance that the Council has, for the first time, on business rates growth to support its spending plans.
- 8.3 An overall assessment of the current budget, future budget proposals, costings, activity forecasts, savings plans and base budget assumptions identifies that whilst there are risks, the overall budget provisions should be sufficient to meet the Council's legal responsibilities and other obligations. A review of risks, mitigations, and contingencies has been undertaken alongside a review of reserves and provisions.

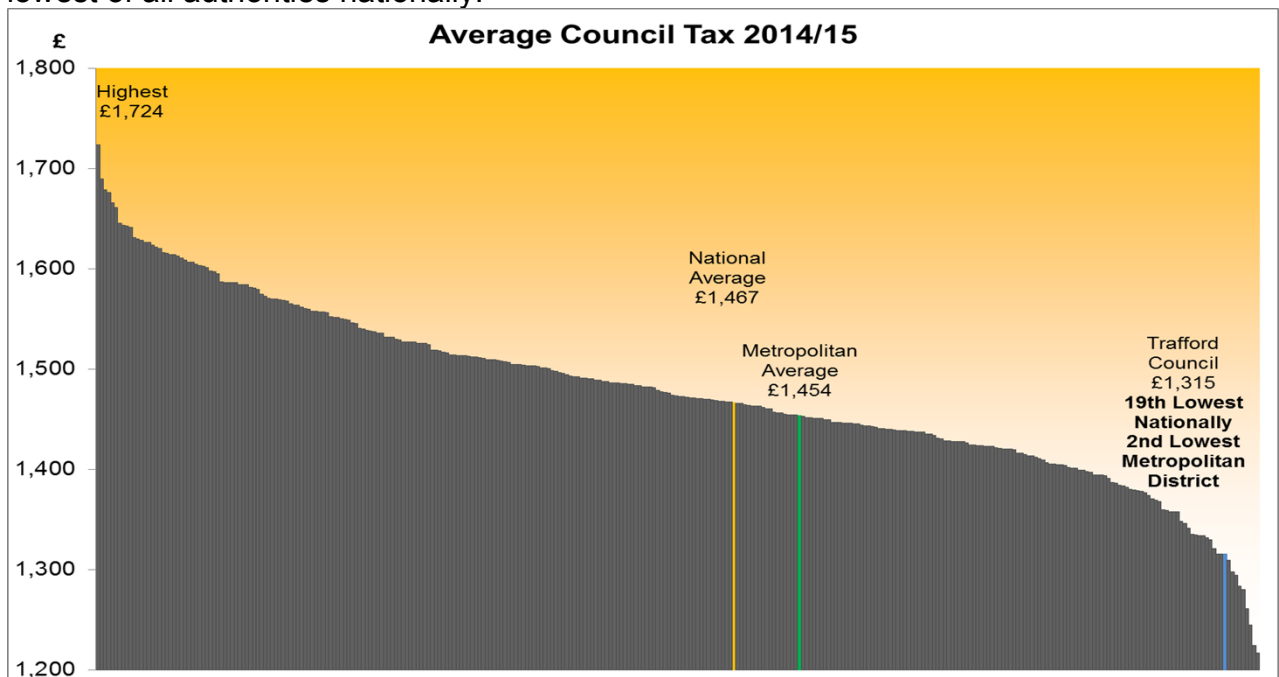
## 9. MEDIUM TERM OUTLOOK

### Outlook

9.1 In reviewing the outlook for the Council it is useful to put into context the financial position of the authority. The Council is already low cost and low funded. The Council's net spend per head in 2014/15 is £678 which is £129 (16%) lower than the national average and the lowest metropolitan district, some £186 (21%) less than the metropolitan average and £512 (43%) lower than the highest.

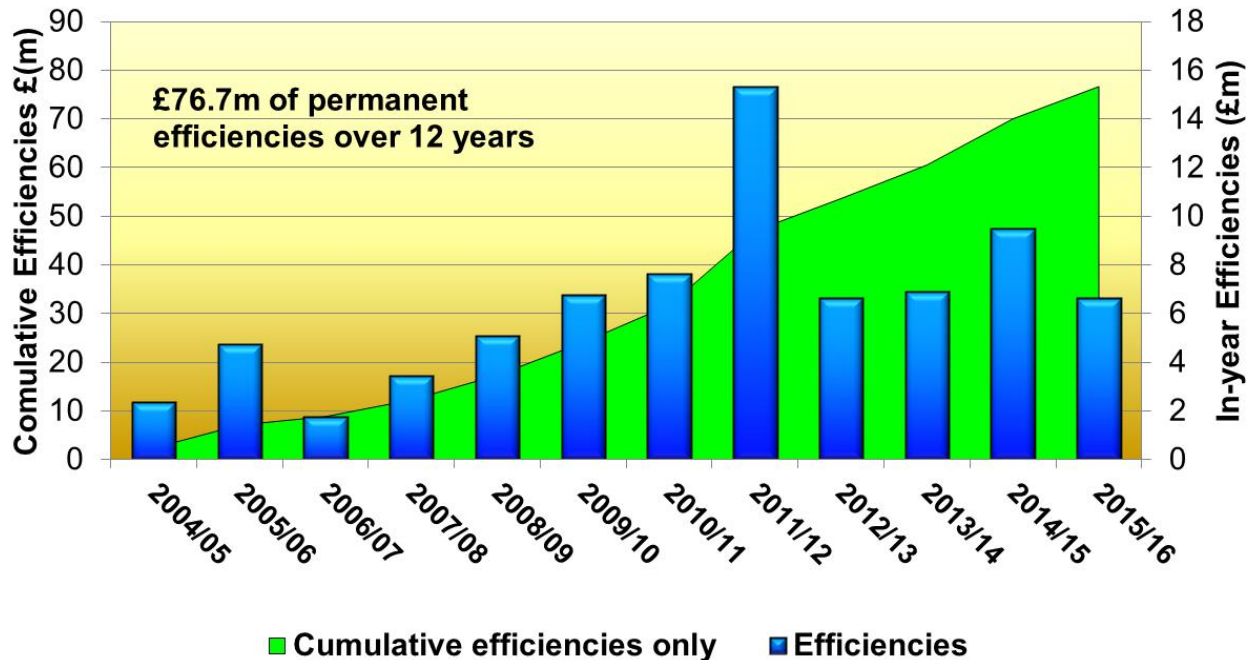


9.2 The council tax continues to be one of the lowest nationally and is ranked 19<sup>th</sup> lowest of all authorities nationally.



9.3 In addition to this the Council continues to be highly efficient. Since 2004/05, the Council has delivered £(70.1)m of efficiencies, with a further £(6.6)m of efficiencies proposed for 2015/16. Together, this £(76.7)m is equivalent to 95% of the current Council Tax.

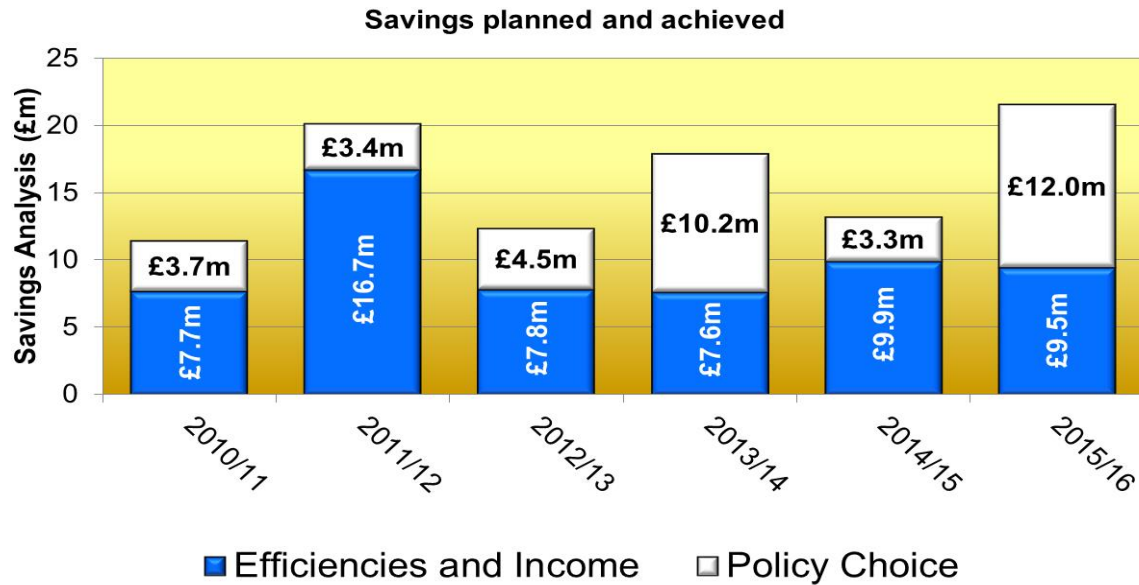
### Permanent Efficiencies planned & achieved



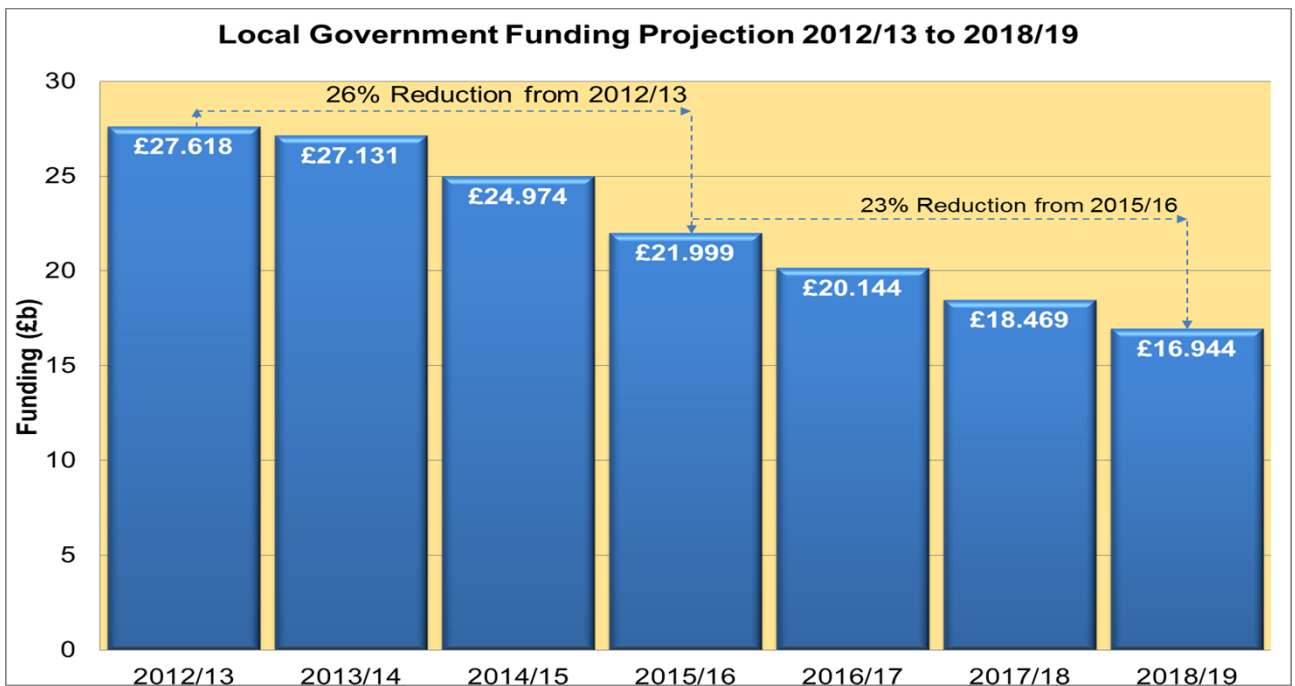
9.4 In 2010/11 the newly elected Coalition Government introduced the first austerity budget with an emergency budget in July of that year. The traditional budget challenges of low funding and higher demands from inflation and growth in social services, have been made more difficult since then as Government funding has been scaled back.

9.5 To meet this new challenge the Council has invested in dedicated internal capacity in terms of procurement, change and project management, and introduced a number of austerity measures.

9.6 Over the five years of austerity the Government will have withdrawn some £38.7m of funding, equivalent to around 48% of current Council Tax. This pressure is in addition to inflation, increases in client numbers and need, and the increasing cost of waste and transport levies.



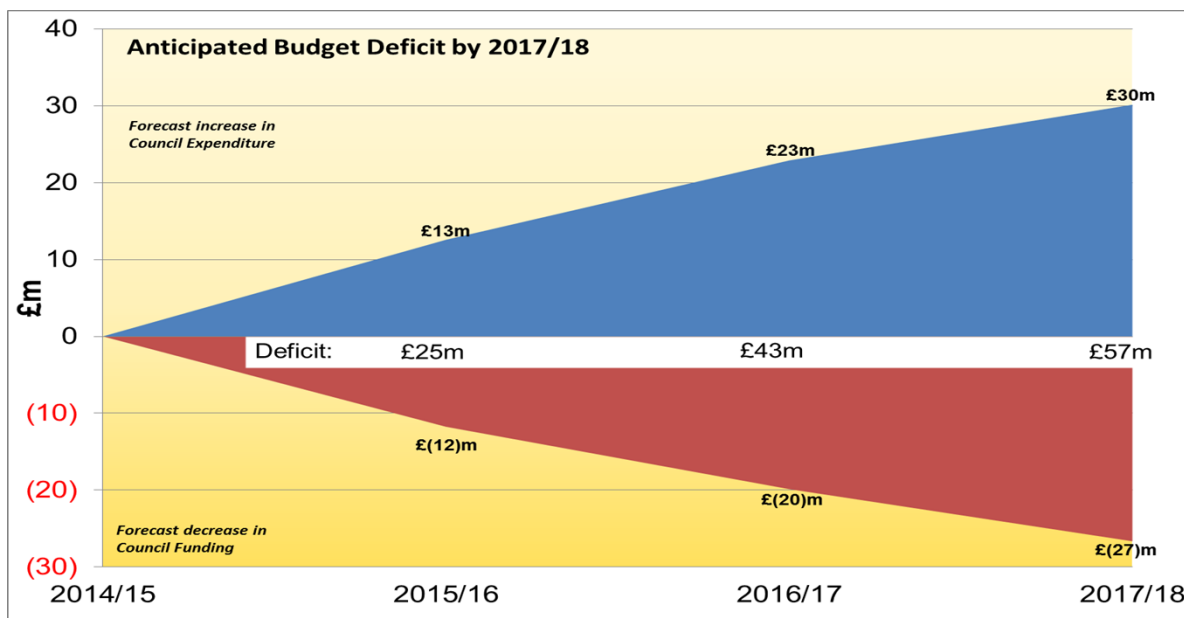
9.7 The recent Autumn Statement did not signal any deviation to the Government’s current public sector expenditure forecasts which are set to fall until 2018/19 at the same rate as 2010/15, although these will be updated in the Spending Round due in the summer of 2015.



Source: LGFutures January 2015

9.8 Based on these projections and the budget assumptions listed at Annex B, the Council will need to reduce expenditure and/or increase income by £57m over the next three years, 2015/18. Over this period it will be a priority of the Council to:-

- Increase the council tax base
- Increase business rates income
- Reduce demand on council services
- Increase opportunities to trade



9.9 The estimates include for:

- A continued freeze on the increase in the Council Tax rate and 0.5% average increase in the number of Band D equivalent properties available each year.
- Further Government funding reductions as currently advised totalling £22.5m, which is equivalent to a 25% Council Tax increase or around £102 per head of population.
- A small pay award of only 1% average per year. However, there are changes to pension and national insurance that will have a larger impact. The largest single impact will be the cancellation of the lower NI rate for those who have an occupational pension which will increase the employer's NI bill by 3.4% for the majority of employees, or £1.6m in 2016/17. To a lesser extent, the requirement to auto-enrol employees in 2017 on the Local Government Pension Scheme unless they opt-out in writing, will increase the pension liability and without the benefit of the lower NI rate.
- Inflationary increases of £12.7m based on the rates currently advised by the Office for Budget Responsibility.
- Demography, or the number of social services clients and/or their increased need for services, has been provided for at £12.9m over the three year period

- The costs of levies for waste disposal and transport services is expected to rise at a combined £1.6m.

9.10 In addition to the above funding and cost estimates, there are a number of other changes that will also affect the Council in the medium term:

- Income from discretionary services provided to schools has three areas of concern. Firstly schools' budgets are increasingly becoming tighter as Government funding, whilst not a reduction, has little to no allowance for inflationary pressures. This will further encourage Schools to carry out wider market testing for their service provision. Lastly, more schools are likely to move to Academy status over the next few years, and such schools have a propensity to seek total independence from the Council. An additional effect is the reduction in Education Support grant, which will reduce funding further and not necessarily in line with costs due to the stepped nature of overheads.
- Better Care Fund and Health Integration. In 2015/16 Councils will be funded to assist in reducing hospital costs by taking into the community those service clients who no longer need clinical care, but have other specialist needs that currently mean they take up hospital beds. Exactly how Councils and Health will work together to achieve overall cost reductions is a matter of considerable planning activity taking place nationally, but there is no guarantee that the scheme will be cost neutral or better for any or all parties.
- Economic recovery continues to be sluggish when compared to the extent and speed of savings required, such that old or new income sources and revenue streams will lag behind the need for revenue.
- Local Government may be taking the brunt of austerity measures, but it is not the only agency with reduced funding. The medium to long term effects of various public sector and voluntary sector agencies operating under austerity on the needs of residents is difficult to forecast, but may uncover further growing demand that falls upon the legal responsibilities of Councils to fulfil.
- The 10 AGMA districts and the Greater Manchester Combined Authority are currently negotiating a deal to devolve more funding and responsibilities to the local level. It not currently known what impact this may have on budgets going forward.



## **Reshaping Trafford**

- 9.11 The Council will continue to face unprecedented financial pressures, and while great strides have already been achieved witnessed by the level of efficiencies and cost reductions achieved to date, more will still be needed. Demand for services is increasing and yet the support received from Government will decline further. To meet these challenges the Reshaping Trafford Council programme has been developed which will allow the Council to maximise opportunities for revenue generation, including both business rates and council tax, reducing demand and making further innovations to provide the council with as many business and operational choices in the future as possible.
- 9.12 In addition to the above, and working alongside, are two other major initiatives which will draw upon the strategic capacity of the Council in the immediate to medium term; Public Service Reform and Health & Social care Integration.

## **Public Service Reform and Devolution**

- 9.13 Greater Manchester has been a Government selected pilot area for Place Based Settlement work for the few years. This is a concept that by working in close harmony almost as a single entity, all public funded bodies in an area can work to deliver improved outcomes for residents and businesses at a lower cost, and therefore those bodies can determine where money is distributed to rather than Government Departments or Parliament.
- 9.14 At the heart of achieving this goal is Public Service Reform (PSR), which is a collection of initiatives or projects being undertaken to provide evidence that earlier, tailored intervention by one public body can reduce, deflect and even eliminate, the need for higher cost support services by other public bodies. In addition, by working together, public bodies can avoid duplication of intervention delivery, and ensure greater effectiveness by delivering interventions at the right time in the right order.
- 9.15 Such initiatives are not only restricted to the pilot areas, for example the national Troubled Families scheme, which is funded on a performance reward basis by the Government. The pilot areas do however take the national scheme to a higher level.
- 9.16 Each locality within GM has now formally signed up to the GM Devolution agreement through their relevant locality governance arrangements. Progress is being made on the development of the detailed implementation plans for each aspect of the agreement itself. This is being delivered through joint discussions with key representatives from government and GM. The devolution deal covers a number of areas some which will have a direct benefit to Trafford, including the extension of the metrolink through Trafford Park.

## **Better Care Fund and Care Act**

- 9.17 The Better Care Fund submission has been approved and will mean that in 2015-16 the Council will receive s256 funding similar to previous levels of funding and an additional amount of funding for the protection of social care. The Council will be working in a much more integrated way with the NHS Trafford CCG to deliver a range of initiatives, including the redesign of frail and Older Peoples Services, end of life care and integrated locality teams.
- 9.18 The Better Care Fund also incorporates funding previously provided for Disabled Facility grant and Adult Social Care capital grant. The total value of the Better Care Fund in 2015-16 is £15.4m.
- 9.19 The Care Act 2014 is a further significant change affecting adult social care which comes into effect in two phases from April 2015 and April 2016. The changes in April 2015 relate to the introduction of new responsibilities for self-funders and carers, changes to the eligibility criteria and the consolidation of a range of other social care responsibilities under the Act.
- 9.20 Additional funding has been provided by Government to meet the expected cost of the requirements of meeting the Care Act, though there is some uncertainty as to whether the level of funding will be sufficient to meet the increased activity arising from the Care Act. In 2015-16 this will depend on the extent to which self-funders and carers take up assessments and services which are made available under the Act. A further potential risk exists in relation to the impact of the changes to eligibility criteria and the introduction of the new concept of wellbeing.
- 9.21 There is a further level of uncertainty around the changes which come into effect in April 2016. These changes are the Dilnott changes, which relate to the introduction of a cap on care costs and changes to the financial limits for capital resources. The regulations and guidance on funding reform are due to be published shortly and an assessment of financial impact on 2016-17 will be undertaken.

## 10. COUNCIL TAX REQUIREMENT and STATUTORY CALCULATIONS

### Budget Requirement

10.1 The Local Government Finance Act 1992, as amended by the Localism Act, requires the Council to make the following calculations:

- an estimate of the Council's gross revenue expenditure - Section 31A(2),
- an estimate of anticipated income - Section 31A(3),
- a calculation of the difference between (i) and (ii) above, (i.e. net revenue expenditure) - Section 31A(4) – this is known as the **Council Tax Requirement**,
- a calculation of the Council's **Basic Amount of Council Tax**, calculated by dividing the **Council Tax Requirement** by the Taxbase (expressed in Band D's).

10.2 If the proposals in this budget report are agreed, the calculation for the 2015/16 Council Tax Requirement will be as follows:

LGFA 1992	Calculation of Council Tax Requirement & Basic Amount of Council Tax 2015/16	£
<b>S 31A(2)</b>	<b>Gross Expenditure</b>	
(a) – (f)	Service expenditure	417,636,968
<b>S 31A(3)</b>	<b>Gross Income</b>	
(a, c, d)	Fees, charges and specific grants	(268,722,682)
	Application of General Reserve	(1,000,000)
	<b>Budget Requirement (previous regulations)</b>	<b>147,914,286</b>
(b)	Revenue Support Grant	(30,646,442)
(b)	Retained Business Rates Baseline	(33,053,820)
	Growth 2015/16	(1,811,145)
	Growth 2014/15	(1,710,012)
	Renewable Energy	(76,908)
(b)	Collection Fund surplus	(300,000)
<b>S 31A(4)</b>	<b>Council Tax Requirement</b>	<b>80,315,959</b>
	<b>Council Tax Base in Band D's</b>	<b>72,669</b>
	<b>Basic Amount of Council Tax</b>	<b>£1,105.23</b>

10.3 The Director of Finance approved the Council Tax Base (number of equivalent Band D properties in the borough) on 30 January 2015 at 72,669, which is a growth of 729 Band D equivalents on 2014/15.

### Council Tax Increases

10.4 The Localism Act 2011 abolished Council Tax capping and replaced it with a requirement to hold a Council Tax Referendum if an authority wishes to increase its "Relevant Basic Amount of Council Tax" by an amount equal to or exceeding a level set out by the Government, which for 2015/16 is 2.0%.

The calculation of the percentage change in “Relevant Basic Amount of Council Tax”, under the new definition, for Trafford Services is shown below :

	2014/15	2015/16
Council Tax Base	71,940	72,669
Council Tax Requirement with Levies (£)	79,510,246	80,315,959
Basic Amount of Council Tax (£)	1,105.23	1,105.23
<b>% increase in Basic Amount of Council Tax</b>	<b>0.0%</b>	<b>0.0%</b>

- 10.5 As the “Relevant Amount of Council Tax” has remained static between 2014/15 and 2015/16 and is subsequently below the threshold level of 2.0%, therefore there is no requirement to hold a Referendum.
- 10.6 For information, raising the Basic Amount of Council Tax by 1.99% would raise an additional sum of £(1.598)m. However, at the same time the Council would not qualify for the council tax freeze compensation grant £(0.903)m, therefore the net income raised from an increase in council tax would be £(0.695)m.
- 10.7 For the fifth year running the Executive is proposing to Council not to increase the rate of Council Tax. Also, of the two major precepting bodies, the GM Police & Crime Commissioner has already agreed to freeze their element of the Council Tax for 2015/16 and the GM Fire and Rescue Authority is proposing to freeze its element as in 2014/15.
- 10.8 Partington Town Council, at its meeting on 8 December 2014, elected to keep the level of Band D Council Tax at £42.50, the same as 2014/15. The Council has also agreed to provide additional funding of £10,000, as in 2014/15, which represents the grant adjustment received from the DCLG in respect of the Town Council for 2012/13 for the introduction of the CTSS scheme. The Council is not required to pass on this adjustment, and further, as the money has now been rolled into base RSG it is subject to austerity reduction.

## Council Tax Levels and Bandings

10.9 The overall Precepts and Council Tax levels for 2015/16 for Trafford properties are as follows:

Council Tax per precepting body	Precept Amount £	Council Tax Per Band D Property £	Council tax level Increase %
Trafford Services	80,315,959	1,105.23	0%
GM Police Authority (see note)	11,067,489	152.30	0%
GM Fire Authority (see note)	4,188,641	57.64	0%
<b>Total (excluding Partington)</b>	<b>95,572,089</b>	<b>1,315.17</b>	<b>0%</b>
Partington Precept	60,435	42.50	0%
<b>Total for Partington</b>		<b>1,357.67</b>	<b>0%</b>

Note: The Council Tax figure for the GM Fire & Rescue Authority included above is the recommended amount and is subject to formal approval.

10.10 The council tax for 2015/16 for each of the eight valuation bands would be as follows:

### 2015/16 Council Tax levels by valuation band (including major Precepts):

Band	Valuation range (in 1991 prices)	Partington Council Tax £	All other areas Council Tax £
A	Up to £40,000	905.10	876.77
B	Over £40,000 and up to £52,000	1,055.97	1,022.91
C	Over £52,000 and up to £68,000	1,206.82	1,169.04
D	Over £68,000 and up to £88,000	1,357.67	1,315.17
E	Over £88,000 and up to £120,000	1,659.36	1,607.42
F	Over £120,000 and up to £160,000	1,961.07	1,899.68
G	Over £160,000 and up to £320,000	2,262.77	2,191.94
H	Over £320,000	2,715.34	2,630.34

Note: The Council Tax figure for the GM Fire & Rescue Authority included above is the recommended amount and is subject to formal approval.

## **11. CAPITAL PROGRAMME 2015/18 & TREASURY MANAGEMENT**

11.1 There are two, more detailed, papers elsewhere on the agenda regarding the Capital Investment Programme 2015/18, Prudential Indicators, and the Treasury Management Strategy. Members are requested to treat these papers as part of the overall budget bundle for the purposes of decision making. The following is an outline of the salient features of those reports.

### **Capital Investment Programme 2015/18**

11.2 The proposed Capital Programme for 2015/18 is expenditure of £79.7m, with £41.8m of this being undertaken during 2015/16. The programme is mostly funded by Government grant (57%), emphasising how sensitive expenditure is to movements in Government funding. The programme will allow for the following investments:

- Additional primary school placements, £14.1m in 2015/16, £22.8m over three years, and
- other investment in schools' infrastructure of £3.4m in 2015/16, £8.0m over three years.
- Highways investment of £13.3m in 2015/16, and £27.8m over the three years allowing for the replacement of 65km of carriageway, 66km of footway, contribution to the extension of the Metrolink into Trafford Park and replacing old street lighting luminaires with LED in the event that such a proposal is approved by the Executive when it is considered in March.
- Investment in the local economy through the Borough's Town Centres of £4.8m in 2015/16 and £7.7m over the three years.
- A variety of investments in social care of £2.7m in 2015/16 and £7.3m over three years, including grants and home assistance to allow elderly and/or disabled people live in their own homes for longer.
- Homeowner grants to encourage more homes to be brought up to habitable standards of £0.3m in 2015/16 and £0.4m over three years.
- Improvements to the Council's parks and open spaces and facilities at allotment sites of £0.7m in 2015/16 and £1.2m over three years, and
- a range of works to the Council's asset to ensure service delivery including improvements to the crematorium, mechanical, electrical and DDA works of £0.8m in 2015/16 and £2.7m over the three years.

### **Treasury Management & Prudential Indicators**

11.3 The salient points of the papers elsewhere on the agenda are:

- Both investment and long term borrowing rates are expected to remain reasonably static
- Whilst there is no borrowing envisaged in 2015/16 in support of the general capital programme, new borrowing to be financed through

revenue savings may be undertaken for investment in LED street lighting, although this is subject to a future Executive decision.

- Some £2m of debt will be repaid, lowering the debt portfolio to £93m
- Cash balances are expected decrease from an average level of £74m in 2014/15 to £66m in 2015/16 reflecting application of capital grants and contributions and reserves.

There will be no significant changes to the Council's prudential indicators.

## **12. RECOMMENDATIONS**

The following recommendations are repeated on the Formal Council Tax Resolution to be distributed at Council (aka Green Sheets)

### **It is recommended that Council approve:**

- The net Revenue Budget for 2015/16 at £148.914m, a decrease of £(5.638)m, or (3.6)%, when compared to the 2014/15 base budget of £154.552m;
- The calculation of the Council Tax Requirement as summarised in Section 10 and set out in the Formal Council Tax Resolution (Green Sheets to be circulated at Council);
- That there is no increase in the proposed Council Tax level for Trafford related services in 2015/16 (valuation bands are detailed at Annex E;
- The Fees and Charges for 2015/16, as set out in the booklet available on the Council's website:-
  - Approval is given to Corporate Directors and the Director of Finance with the joint delegation to amend fees and charges during 2015/16 in the event of any change in the rate of VAT, as appropriate
- That the minimum level of General Reserve for 2015/16 be set at £6.0m, the same as in 2014/15 (Section 5);
- The overall Capital Investment Programme level of £79.7m be approved (as detailed in the Capital Investment Programme 2015/18 report attached) of which £41.8m relates to 2015/16.
- The Prudential Borrowing Indicators as set out in Appendix 3, page 14, of the attached Treasury Management Strategy.
- The distribution of Dedicated Schools Grant as recommended by the School Funding Forum and Executive as summarised in Section 7 and detailed in Annex F.

### **and in approving the above, has taken into consideration :**

- The objective assessment by the Director of Finance of the robustness of budget estimates and adequacy of the General Reserve (Section 5 and Annex M).
- The Executive's response to the Scrutiny Committee's recommendations to the budget proposals, which can be found elsewhere on the agenda.
- The detailed report on the outcomes of the Staff and Trade Union Consultation which can be found on the agenda for the Executive on 26 January 2015.
- The Equality Impact Assessments in relation to the budget proposals and the Public Sector Equality duty



**In addition, the Council notes the following :**

- The approval on 30 January 2015 under delegated powers by the Director of Finance of the Council Tax Base for 2015/16 at 72,669 Band D equivalents. Along with the calculation of the estimated Council Tax surplus, sufficient to release £(300)k to support the Council's 2015/2016 revenue budget and a distribution of £(41.3)k and £(15.6)k representing the respective shares of the GM Police & Crime Commissioner and GM Fire and Rescue Authority.
- That the Capital Investment Programme for 2016/17 and 2017/18 is to be set at a indicative £23.5m and £14.4m respectively.
- That the Council Tax figures included in the report for the GM Fire & Rescue Authority are the recommended provisional amounts pending their formal approval on 12<sup>th</sup> February 2015.
- The Treasury Management Strategy 2015/18 detailed elsewhere on the agenda.
- The writing down of the Learning Disability pool deficit of £3.0m
- The base budget assumptions as set out in the Medium Term Financial Outlook as detailed in Annex A.
- That final decisions with regard to some services will not be taken until March 2015. As a result, the allocation of resources set out on pages 65-69 may vary including the use of reserves. All reports will be presented at the appropriate time.

## MEDIUM TERM FINANCIAL OUTLOOK - BASE BUDGET ASSUMPTIONS:

<b>Base Budget Assumptions</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>Service Expenditure</b>				
Pay	1.0% £0.9m	1.0% £0.8m	1.0% £0.8m	1.0% £0.8m
Pension inflation	+0.8% £0.5m	+0.7% £0.5m	+1.0% £0.6m	+1.0% £0.6m
Pension Auto-Enrolment effective from 1 Oct 2017			£0.3m	£0.3m
Cease 'contracted out' NIC rate in 2016/17		£1.6m		
Prices – General inflation (RPI)	1.9% £1.3m	2.0% £1.3m	2.0% £1.4m	2.0% £1.4m
Contract & Other inflation (e.g. energy)	£0.8m	£0.8m	£0.8m	£0.9m
Demography :				
Young People	£0.6m	£0.5m	£0.5m	£0.5m
Adults	£7.9m	£1.5m	£1.5m	£1.5m
Waste (GMWDA) Levy increase	£0.34m	£0.34m	£0.34m	£0.34m
Transport (GMCA) Levy increase	£(0.2)m	£0.9m	£1.0m	£1.0m
<b>Treasury Management &amp; Funding</b>				
Investment Rates	0.85%	1.35%	2.0%	2.0%
Debt Rates	4.5%	4.5%	4.5%	4.5%
Council Tax rate increase	0.0%	0.0%	0.0%	0.0%
Council Tax base increase	0.5%	0.5%	0.5%	0.5%
Freeze Grant 2015/16 @ 1.0%	£(0.9)m	£0.9m		
Reduction in Start-up Funding	12.4% £9.0m	7.8% £4.9m	8.7% £5.1m	2.8% £1.5m
Reduction in overall Government support	10.4% £10.1m	8.6% £7.5m	9.0% £7.2m	3.2% £2.4m

**GOVERNMENT FUNDING CHANGES**

Changes in government funding during 2015/16 have resulted in a £10.123m, or 10.4%, reduction to Trafford, equivalent to £43.32 per head of population of the borough. The changes in funding are detailed in the table below:

<b>POST-FINALSETTLEMENT</b>	<b>Specific Grants (£000's)</b>	<b>Main Funding (£000's)</b>	<b>Total Change (£000's)</b>
<b>Funding ceasing</b>			
KEEP Grant	60		60
Intensive Fostering	148		148
Assets of Community Value	8		8
Community Right to Challenge	9		9
Local Welfare Provision - Social Fund (moved to base)	554	(417)	137
New Burdens Council Tax Reform	72		72
Local Flood Grant	8		8
Council Tax Freeze Grant 2014/15 (moved to base)	898	(898)	
<b>Funding reducing</b>			
Government base funding		9,595	9,595
Youth offending team	48		48
Staying in Care Grant	56		56
Social Care / NHS Integration Grant	3		3
Housing Benefit Administration	116		116
Council Tax Benefit Administration	38		38
Education Services Grant	671		671
Returned New Homes Bonus	6		6
Adopter Reform Grants	197		197
Learning Disability and Health Reform		20	20
Extended Rights to Travel	8		8
Council Tax Compensation Grant		9	9
Local Reform and Community Voices	43		43
Early Intervention Grant		555	555
Carbon Reduction Commitment Grant		75	75
Capitalisation Grant		95	95
<b>Funding increasing</b>			
Public Health Reform	(373)		(373)
<b>Sub-Total Existing Funding</b>	<b>2,570</b>	<b>9,034</b>	<b>11,604</b>
<b>New funding</b>			
New Homes Bonus 2015/16 allocation	(578)		(578)
Council Tax freeze 2015/16 allocation	(903)		(903)
<b>Total Funding Change</b>	<b>1,089</b>	<b>9,034</b>	<b>10,123</b>

In the announcement on 3 February 2015 of the final Local Government Finance Settlement 2015-16, an additional £74m nationally has been provided to upper –tier authorities “to assist them in dealing with pressures on local welfare and health and social care”. This amounts to £242k for Trafford and will be paid through Revenue Support Grant and is included within the Government Base Funding figure of £9,595k in the analysis above.

In addition to the government funding changes identified above, the following Section 31 National Non Domestic Rates grants are estimated to be receivable in 2015-16 :

- 2% Business Rates Cap £480k
- Small Business Rates Relief £1,038k
- Retail Relief £611k
- Re-occupation Relief – FRESH START £14k

## BUSINESS RATES RETENTION SCHEME

### Background

From April 2013 local authorities no longer pay all their business rates income to central government and receive a share of the business rates pool back as part of formula grant; instead they are able to retain a proportion of the growth of their business rates income.

Each authority has a business rates baseline, which represents their proportion of the national estimated business rates yield for 2015/16, and a funding baseline, which is driven by a funding formula. If the business rates baseline exceeds the funding baseline then the difference will be payable to government as a tariff; if the funding baseline is the higher then the authority will receive a top-up payment.

Single tier metropolitan authorities like Trafford will be required to pay 50% of the business rates income they collect to central government (the 'central share') and 1% to the fire authority, leaving a 'local share' of 49%.

The local share is then either increased by the top-up or reduced by the tariff. Tariff authorities (like Trafford) will then be liable to pay a levy to government on the amount by which their income exceeds the funding baseline, with the balance being retained by the authority. If the authority enters into a pooling arrangement (as Trafford has from 1 April 2015) then the value of the levy is retained by the Pool.

### Pooling

Under the business rates retention scheme local authorities are able to come together, on a voluntary basis, to pool their business rates. This is meant to benefit authorities by giving them scope to generate additional growth through collaborative effort, to smooth the impact of volatility in rates income across a wider economic area and minimise any levy paid to the Government. This approach has been considered by a number of authorities in Greater Manchester and Cheshire and the decision has been taken to join a GM Pool with Cheshire East in 2015/16.

In relation to 2015/16, districts have provided updated information re business rates estimates. All returns have shown authorities expecting to be above their (indexed) baseline business rates levels and hence well clear of the safety net triggers. These estimates were produced before the Autumn Statement announcement regarding the restriction for rate payers to receive backdated amounts for appeals submitted post 1<sup>st</sup> April 2015. These proposals should have the effect of reducing, to a small degree, the cost of appeals in 2015/16.

Those initial estimates also show expected levy payments as follows:

	£M
Stockport	0.076
Trafford	1.737
Cheshire East	<u>1.407</u>
	<u>3.220</u>

Discussions, both last year and this, with Cheshire East have been on the basis that they would retain 50% of any levy that is generated by themselves. This had been accepted as an equitable approach where the two parties (GM and Cheshire East) could only benefit through mutual co-operation and that a 50/50 share would be appropriate. On the above figures, Cheshire East would receive £0.704m levy, £2.544m for GM.

In discussions regarding the GM share of the pool we have proposed Trafford Council retains one third of the levy generated locally. We consider this is a more equitable way of sharing the benefit of business rates growth in that whilst the 8 top-up councils in GM retain 49%, we currently only retain 24.5% as outlined above. It has been agreed at a GM level that Trafford retain one third of the levy, to give an overall retention of approximately one third of any growth. This equates to £0.579m and has been included in the 2015/16 budget.

### **Appeals**

A major risk of forecasting continues to be the level of business rate appeals and estimating the impact these appeals will have on the overall yield, albeit measures announced in the Autumn Statement will no longer allow backdated appeal costs on appeals lodged after 1 April 2015. It is therefore expected that there will be an uplift in appeal volumes up to 31 March 2015 and this increase has been taken into account in the business rate forecasts. Also at the end of 2013/14 the Council created a significant provision to cover the backdated cost from successful appeals against rateable values which, to some extent, has reduced the potential risk to the Council.

At the end of January the Council submitted its NNDR1 return to DCLG. This return includes the Council's forecast of business rates for 2015/16 and is used to determine the amount of retained rates that will be available to support the budget in 2015/16. In addition the NNDR1 return also requires a projected forecast for the current year. A comparison of the original estimate and forecast is shown in the table below.

	<b>2014/15 NNDR1 Estimate £m</b>	<b>2014/15 NNDR1 Projection £m</b>	<b>2015/16 NNDR1 Estimate £m</b>
<b>Net Yield</b>	<b>(154.588)</b>	<b>(158.077)</b>	<b>(161.238)</b>
Central Share (50%) and Fire Share (1%)	78.840	80.619	82.231
<b>Local share</b>	<b>(75.748)</b>	<b>(77.458)</b>	<b>(79.007)</b>
Less Tariff	43.314	43.314	44.142
Retained Rates	(32.434)	(34.144)	(34.865)
Baseline	32.434	32.434	33.054
<b>Growth</b>		<b>(1.710)</b>	<b>(1.811)</b>
Additional estimated Section 31 grants	(2.231)	(1.391)	(1.663)
Total leviable income	(2.231)	(3.101)	(3.474)
Levy Payable @ 50%	1.115	1.550	1.737
Net Retained Income		(1.551)	(1.737)
Other Income :			
Renewable Energy	(0.073)	(0.148)	(0.077)
GM Pool Rebate (33.33% of the levy)			(0.579)
Add increase in S31 Cap Grant			(0.136)
<b>Retained Business Rates Income</b>	<b>(1.189)</b>	<b>(1.699)</b>	<b>(2.529)</b>
Less amount already assumed in 14/15 budget		0.844	
<b>Amount available to support the 2015/16 budget</b>		<b>(0.855)</b>	<b>(2.529)</b>

The surplus for 2014/15 is available to support the budget in 2015/16.

Note the overall yield from business rates is inherently volatile and as such should be treated similar to one-off resources. The national Revaluation for all business rates is also scheduled to be effective from 1 April 2017 thus increasing the uncertainty about future business rate yields.

## CHANGES TO THE DRAFT BUDGET PROPOSALS

	Net Budget (£m)	Funding (£m)	Balance (£m)
<b>Draft budget proposal (October)</b>	<b>144.333</b>	<b>(143.779)</b>	<b>0.554</b>
Finance Settlement changes			
- Settlement Funding Assessment		(0.129)	
- New Homes Bonus	(0.043)		
- Council Tax Freeze Grant	(0.005)		
- Education Services Grant	(0.229)		
- New Burdens – Council Tax Reform	(0.042)		
- Housing Benefit, Council Tax Admin	0.055		
- Intensive Fostering	0.078		
- Extended Rights	0.009		
- Local Reform and Community Voices	0.043		
- Adoption Reform	0.198		
- Looked After Children	0.041		<b>(0.024)</b>
Changes in budget assumptions			
- Additional Cost of Pay Award	0.173		
- Treasury Management	0.300		
- Saving in Transport Levy	(0.205)		
- T&R savings realignment	0.106		
- Reduction in Superannuation			
Additional Allowances	(0.195)		
- Increase in Employment			
Rationalisation Budget	0.165		
- Increase in Bad Debt Provision	0.200		
- Increase in STaR costs	0.011		
- Housing Benefit Subsidy Initiative	0.150		
- Looked After Children	(0.041)		
Additional Investment			
- Deprivation of Liberty	0.200		
- Youth Service Commissioning	0.130		
- CFW Capacity Building	0.170		
- Contingency for delivery of savings programme	0.700		
- Increase in Foster Carer Fees	0.100		
Changes in Savings			
- CFW savings realignment(Adults)	1.629		
- CFW savings realignment (Children)	0.238		
- Phased implementation in achieving 2015/16 savings (Note1)	0.500		
- Closure of two bed home	(0.100)		
- EGEI savings realignment (School crossing patrols)	0.031		



Changes in business rates (Note 2):			
- Business Rates Levy Est 15/16	1.737		
- Business Rates Levy re 14/15	0.855		
- S31 Business Rate Grants	(1.799)		
- Business Rate Levy Rebate	(0.579)		
			<b>4.476</b>
Use of Reserves (MAG Dividend)		(1.000)	<b>(1.000)</b>
- Increase in Council Taxbase		(0.408)	
- Business Rates Growth 15/16		(1.888)	
- Business Rate Surplus 14/15		(1.710)	<b>(4.006)</b>
<b>2015/16 Budget Proposal</b>	<b>148.914</b>	<b>(148.914)</b>	<b>(0.000)</b>

Note 1 - includes phased implementation on the delivery of some savings targets associated with Early Help and Libraries

Note 2 – Changes in business rates – net impact:-

	<b>£m</b>
Changes in business rates:	
- Business Rates Levy 2015/16	1.737
- Business Rates Levy 2014/15	0.855
- S31 Business Rate Grants	(1.799)
- Business Rate Levy Rebate	(0.579)
- Business Rates Growth 2015/16	(1.888)
- Business Rate Surplus 2014/15	(1.710)
<b>Total</b>	<b>(3.384)</b>

**COUNCIL TAX LEVELS by VALUATION BAND**  
(including precepts)

<b>Band</b>	<b>Valuation range (in 1991 prices)</b>	<b>Partington Council Tax £</b>	<b>All other areas Council Tax £</b>
A	Up to £40,000	905.10	876.77
B	Over £40,000 and up to £52,000	1,055.97	1,022.91
C	Over £52,000 and up to £68,000	1,206.82	1,169.04
D	Over £68,000 and up to £88,000	1,357.67	1,315.17
E	Over £88,000 and up to £120,000	1,659.36	1,607.42
F	Over £120,000 and up to £160,000	1,961.07	1,899.68
G	Over £160,000 and up to £320,000	2,262.77	2,191.94
H	Over £320,000	2,715.34	2,630.34

Note: The Council Tax figure for the GM Fire & Rescue Authority included above is the recommended amount and is subject to formal approval.

## OUTLINE OF 2015/16 FUNDING FORMULA RECOMMENDED BY SCHOOL FUNDING FORUM

### Basic Entitlement

	No of Pupils	Rate £	Amount Distributed £	Total Both Sectors £	Percentage Total Funding %age
Primary	19,420	2641.61	51,300,066		
Secondary	13,947	4211.09	<u>58,732,072</u>		
				110,032,138	78.00%

### Index of Deprivation (IDACI)

Primary	6,869	Various*	1,493,772		
Secondary	4,558	Various*	<u>1,186,894</u>		
				2,680,666	1.90%

\* There are 6 IDACI Bands with different values

### Free School Meals

Primary	3,656	609.68	2,228,688		
Secondary	2,759	750.99	<u>2,071,996</u>		
				4,300,684	3.05%

### English as an Additional Language

Primary	1,945	278.69	542,162		
Secondary	189	557.39	<u>105,511</u>		
				647,673	0.46%

### Prior Attainment

Primary	2,247	1800.95	4,045,886		
Secondary	1,733	3037.45	<u>5,263,704</u>		
				9,309,590	6.60%

No of Schools

### Lump Sums

Primary	67	150,000	10,050,000		
Secondary	18	150,000	<u>2,700,000</u>		
				12,750,000	9.04%
<b><u>Split Sites</u></b>					
Primary					
Secondary	2			187,799	0.13%
<b><u>Rates</u></b>	The rates bill of each school			1,150,137	0.82%
<b><u>Total Funding</u></b>				<u>141,058,687</u>	<u>100.00%</u>

### **Minimum Funding Guarantee**

Schools are protected from reductions in budgets by the Minimum Funding Guarantee (MFG) which is a statutory formula factor. The MFG is -1.5% per pupil and is set nationally by DFE. The cost of the MFG is £2,672.784 and this is financed by capping the schools who are gaining from the formula. This means that schools can only gain by 0.26% per pupil . The cost of the MFG is a major concern to the forum because it is preventing the formula being developed in ways they would wish.

<b>Draft (base) Budget 2015/16 Subjective Analysis</b>	<b>CFW (£000's)</b>	<b>EGEI (£000's)</b>	<b>T&amp;R (£000's)</b>	<b>Council- wide (£000's)</b>	<b>Total (£000's)</b>
<b>Budget Brought Forward</b>	<b>80,376</b>	<b>33,457</b>	<b>17,560</b>	<b>23,159</b>	<b>154,552</b>
Net Inflation	1,728	1,137	536	14	3,415
Levies		343		(172)	171
Legislative; Grant / Service Transfers	105	0	797	(346)	556
Investment Interest (incl. airport dividend) & Tax				34	34
Debt Management				(501)	(501)
Demographic (Quantitative)	8,657	0	180	54	8,891
Governance / Compliance	475	0	(19)	100	556
Other Unavoidable Business Consequences	318	66	165	1,875	2,424
<b>Total Pressures (excl. new investment)</b>	<b>11,283</b>	<b>1,546</b>	<b>1,659</b>	<b>1,058</b>	<b>15,546</b>
Service Improvement/New Services	400	0	0	0	400
<b>Total New Cost Pressures</b>	<b>11,683</b>	<b>1,546</b>	<b>1,659</b>	<b>1,058</b>	<b>15,946</b>
Cashable Efficiencies	(3,812)	(2,336)	(201)	(207)	(6,556)
Terms & Conditions				(68)	(68)
New Income	(2,556)	(324)	(26)	0	(2,906)
Policy Choice	(9,244)	(154)	(2,621)	(35)	(12,054)
<b>Total New Cost Reductions</b>	<b>(15,612)</b>	<b>(2,814)</b>	<b>(2,848)</b>	<b>(310)</b>	<b>(21,584)</b>
<b>Net Budgetary Effect of Proposals</b>	<b>(3,929)</b>	<b>(1,268)</b>	<b>(1,189)</b>	<b>748</b>	<b>(5,638)</b>
<b>Proposed Total budget for Year</b>	<b>76,447</b>	<b>32,189</b>	<b>16,371</b>	<b>23,907</b>	<b>148,914</b>
	(4.9%)	(3.8%)	(6.8%)	3.2%	(3.6%)

## Draft Revenue Budget Proposals Summary 2015/16: Net Controllable Expenditure by Service

Service	Revised Budget 2014/15 (£000's)	Growth / Pressures 2015/16 (£000's)	Efficiency & Income 2015/16 (£000's)	Policy Choice 2015/16 (£000's)	Proposed Budget 2015/16 (£000's)	Change (£000's)	Change %
<b>Children, Families &amp; Wellbeing</b>							
<b><u>Children's Services - DSG</u></b>							
<b>Dedicated Schools Grant:</b>							
- Schools	103,061				103,441	380	0.4%
- Central	23,765				25,777	2,012	8.5%
	<b>(126,826)</b>				<b>(129,218)</b>	<b>(2,392)</b>	<b>(1.9)%</b>
<b>sub total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
	0						
<b><u>Children's Services - Non DSG</u></b>							
Education Early Years' Services	6,480	174	(435)	(1,391)	4,828	(1,652)	(25.5)%
Children's Social Services	15,457	1,570	(200)	(180)	16,647	1,190	7.7%
Children with Complex & Additional Needs	1,943	191	(100)	0	2,034	91	4.7%
Commissioning	1,778	59	(100)	(15)	1,722	(56)	(3.1)%
Multi Agency Referral & Assessment Service (MARAS)	1,520	31	0	0	1,551	31	2.0%
Youth Service	1,336	179	0	(870)	645	(691)	(51.7)%
Youth Offending Service	363	7	0	(130)	240	(123)	(33.9)%
Children's Centres	1,933	62	0	(1,124)	871	(1,062)	(54.9)%
<b>sub total</b>	<b>30,810</b>	<b>2,273</b>	<b>(835)</b>	<b>(3,710)</b>	<b>28,538</b>	<b>(2,272)</b>	<b>(7.4)%</b>

Service	Revised Budget 2014/15 (£000's)	Growth / Pressures 2015/16 (£000's)	Efficiency & Income 2015/16 (£000's)	Policy Choice 2015/16 (£000's)	Proposed Budget 2015/16 (£000's)	Change (£000's)	Change %
<b>Adult Social Services</b>							
Older People	19,054	3,370	(3,700)	(3,151)	15,573	(3,481)	(18.3)%
Physical Disabilities	4,232	622	(116)	(178)	4,560	328	7.8%
Equipment & Adaptations	801	209	0	0	1,010	209	26.1%
Learning Disabilities	20,838	3,895	(1,717)	(1,726)	21,290	452	2.2%
Mental Health	2,969	653	0	(234)	3,388	419	14.1%
Other Adult Services	680	551	0	(15)	1,216	536	78.8%
Strategic & Support Services	889	81	0	0	970	81	9.1%
Adaptations	(55)	55	0	0	0	55	100.0%
Housing Services	620	0	0	(230)	390	(230)	(37.1)%
Community Services	222	6	0	0	228	6	2.7%
Equality & Diversity	184	(32)	0	0	152	(32)	(17.4)%
<b>sub total</b>	<b>50,434</b>	<b>9,410</b>	<b>(5,533)</b>	<b>(5,534)</b>	<b>48,777</b>	<b>(1,657)</b>	<b>(3.3)%</b>
<b>Public Health</b>							
Public Health	(868)				(868)	0	0.0%
<b>sub total</b>	<b>(868)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(868)</b>	<b>0</b>	<b>0.0%</b>
<b>Total Children, Families &amp; Wellbeing</b>	<b>80,376</b>	<b>11,683</b>	<b>(6,368)</b>	<b>(9,244)</b>	<b>76,447</b>	<b>(3,929)</b>	<b>(4.9)%</b>

Service	Revised Budget 2014/15 (£000's)	Growth / Pressures 2015/16 (£000's)	Efficiency & Income 2015/16 (£000's)	Policy Choice 2015/16 (£000's)	Proposed Budget 2015/16 (£000's)	Change (£000's)	Change %
<b>Economic Growth, Environment &amp; Infrastructure</b>							
<b><u>Technical &amp; Environment Services</u></b>							
Highways & Network Management, incl. Traffic & Transportation	4,910	281	(50)	(40)	5,100	191	3.9%
Property & Development	2,673	168	(100)		2,741	68	2.6%
Groundforce	4,144	108			4,252	108	2.6%
Sustainability & Greenspace	359	8	(15)		352	(7)	(1.9)%
Bereavement Services	(1,090)	13	(50)		(1,127)	(37)	(3.4)%
Waste Management (excl. WDA Levy)	5,113	240			5,353	240	4.7%
Waste Levy	13,866	343			14,209	343	2.5%
School Crossing Patrols	509	7		(114)	403	(107)	(20.9)%
Directorate Strategy & Business Support	959	50	(86)		923	(36)	(3.8)%
Joint Venture Contract		0	(2,100)		(2,100)	(2,100)	0.0%
<b>sub total</b>	<b>31,442</b>	<b>1,218</b>	<b>(2,401)</b>	<b>(154)</b>	<b>30,105</b>	<b>(1,337)</b>	<b>(4.3)%</b>
<b><u>Operational Services for Education (Catering, Cleaning, Transport)</u></b>	<b>(72)</b>	<b>131</b>	<b>0</b>	<b>0</b>	<b>59</b>	<b>131</b>	<b>181.0%</b>



Service	Revised Budget 2014/15 (£000's)	Growth / Pressures 2015/16 (£000's)	Efficiency & Income 2015/16 (£000's)	Policy Choice 2015/16 (£000's)	Proposed Budget 2015/16 (£000's)	Change (£000's)	Change %
<b><u>Growth &amp; Regulatory Services</u></b>							
Economic Growth	724	27			751	27	3.7%
Housing Strategy	595	61			656	61	10.2%
Strategic Planning & Development	533	9			542	9	1.7%
Planning & Building Control	(119)	42			(78)	42	35.0%
Public Protection & Enforcement	602	23	(28)		597	(5)	(0.8)%
Parking Services	(248)	35	(231)		(443)	(196)	(79.0)%
<b>sub total</b>	<b>2,087</b>	<b>197</b>	<b>(259)</b>	<b>0</b>	<b>2,025</b>	<b>(62)</b>	<b>(3.0)%</b>
<b>Total Economic Growth, Environment &amp; Infrastructure</b>	<b>33,457</b>	<b>1,546</b>	<b>(2,660)</b>	<b>(154)</b>	<b>32,189</b>	<b>(1,268)</b>	<b>(3.8)%</b>
<b><u>Transformation and Resources</u></b>							
Legal & Democratic	2,491	292	(15)	(237)	2,531	40	1.6%
Communication & Customer Services	5,837	258	(47)	(1,228)	4,820	(1,017)	(17.4)%
Strategic Human Resources	2,068	59	(15)	0	2,112	44	2.1%
Corporate Leadership & Support	368	6	(1)	0	373	5	1.4%
<b>Corporate Landlord (EGEI)</b>				(230)	(230)	(230)	0.0%
<b>sub total</b>	<b>10,764</b>	<b>615</b>	<b>(78)</b>	<b>(1,695)</b>	<b>9,606</b>	<b>(1,158)</b>	<b>(10.8)%</b>

Service	Revised Budget 2014/15 (£000's)	Growth / Pressures 2015/16 (£000's)	Efficiency & Income 2015/16 (£000's)	Policy Choice 2015/16 (£000's)	Proposed Budget 2015/16 (£000's)	Change (£000's)	Change %
<b>Communities &amp; Partnerships</b>							
Partnerships & Communities	1,563	43	(67)	0	1,539	(24)	(1.5)%
Culture & Sport	1,619	45	(53)	(451)	1,160	(459)	(28.4)%
<b>sub total</b>	<b>3,182</b>	<b>88</b>	<b>(120)</b>	<b>(451)</b>	<b>2,699</b>	<b>(483)</b>	<b>(15.2)%</b>
<b>Finance</b>							
Finance Services	3,614	956	(29)	(475)	4,066	452	12.5%
Precepts, Levies & Subscriptions	17,866	(172)			17,694	(172)	(1.0)%
Provisions	1,642	1,778			3,420	1,778	108.3%
Treasury Management	8,386	(467)			7,919	(467)	(5.6)%
Insurance	775	100			875	100	12.9%
Members Expenses	926	13		(35)	904	(22)	(2.4)%
Other Centrally held budgets	245	152	(207)		190	(55)	(22.4)%
Specific Grants	(6,804)	(346)			(7,150)	(346)	(5.1)%
Unallocated T&C's	123		(68)		55	(68)	55.3%
<b>sub total</b>	<b>26,773</b>	<b>2,014</b>	<b>(304)</b>	<b>(510)</b>	<b>27,973</b>	<b>1,200</b>	<b>4.5%</b>
<b>Total All Services</b>	<b>154,552</b>	<b>15,946</b>	<b>(9,530)</b>	<b>(12,054)</b>	<b>148,914</b>	<b>(5,638)</b>	<b>(3.6)%</b>

**Children, Families and Wellbeing**

The Directorate was established in April 2013 from the amalgamation of Children's, Adults and Public Health services and has the responsibility for a wide range of services across Education, Health and Social Care.

The Directorate has developed a strong universal identity which aims to deliver high quality services and offer excellent value for money to its customers, based on an integrated partnership approach. The budget proposals described for 2015-16 form the starting point of a major reshaping of the Directorate over the next three years underpinned by the following key principles:

- Integration and Partnership Working
- Safeguarding
- Market Management and Quality Assurance
- Management of Demand
- Individual Support for Vulnerable Groups
- Promotion of Independence

We are exceptionally proud of the quality of our children's and adult's services. Below are some notable achievements and performance indicators which demonstrate this:

**Children's Services**

- Trafford has the only fully integrated Children's Services in the North West and this has led to improved outcomes across all aspects of Education, Health and Social Care and excellent value for money.
- 93.4% of Trafford pupils attend good or outstanding school, which is the sixth highest rate in the country and the best outside of London.
- Trafford Primary Schools have the joint best Key Stage 2 performance nationally with 87% of children achieving Level 4+ in Reading, Writing and Maths in 2014.
- Trafford Secondary Schools also have outstanding performance with 74% achieving five A\*-C including English and Mathematics. This improved by 3.5% against a national and regional trend of falling performance and is likely to place Trafford amongst the best performing Local Authorities in the country.
- Trafford has the highest proportion of 16-18 year olds in employment, education or training in Greater Manchester.
- Outcomes for Children in Care are excellent with amongst the highest rates of placement stability, educational attainment, and engagement with health services nationally. This is supported by access to high quality local family placements following investment in Trafford Foster Carers.
- Children with complex and additional needs are now accessing personalised packages of care enabling families to shape support to meet identified need in a more flexible way.
- Multi-systemic therapy for children at risk of custody or entering care has had a 93% success rate in helping young people stay with their family. Our MST project has won a number of national and international awards.

- Health outcomes for children and young people including breastfeeding rates, obesity in reception year, and teenage pregnancy rates are the best in the region.
- Collaboration has taken place with Stockport, Tameside and Cheshire East adoption services to increase the number of adopters to meet the diverse needs of our children in care. Four4Adoption allows potential adopters locally, regionally and nationally to access information and there is a revised application process.

### **Adult Social Care**

- Trafford Council's Adult Services supports between 5,000-6,000 clients at any point in time.
- The number of adult safeguarding referrals has increased by 378% over the last five years.
- The number of people over 85 in Trafford is expected to increase by nearly a quarter by 2020.
- In 2013/14, Trafford Council provided services to 8,500 users and carers. In 2013/14, 3,020 carers received services or advice and information which is an increase of 30% since 2012/3. The number of people over 65 in Trafford is expected to increase by 30% and the number of people over 85 is expected to increase by 70% by 2030.
- In 2013/14, Trafford Council provided over 665,000 hours of external home care support.

For people successfully completing a period of community reablement:

- There was a 63% reduction in service hours provided from the start to the end of the reablement service following intensive support to regain skills and independence and 50% of people required no further support
- In 2013/14, 85.5 % of people aged 65+ who were discharged from hospital to reablement service were still at home 91 days after reablement started. This is an improvement from 76% in 2012/13.
- In 2013/14, 43% of people accessing the residential assessment unit returned home and were diverted from requiring long term provision.
- 12.4% of people with Learning Disabilities known to the Council have been assisted into paid employment. This is one of the highest rates in the country.
- In 2013/14, 2,400 people received telecare services in year – a 100% increase since 2010/11.
- In 2013/14, Trafford Council delivered 15,800 items of equipment – a 46% increase since 2010/11.

### **Public Health**

This area of the CFW's core business represents approximately £10.8m of the Council's total net revenue expenditure. Public Health provides a wide range of services which focus on the promotion of Wellbeing, the management of Health inequalities and the facilitation of resilient communities across the Borough of Trafford. The service area commissions and delivers a range of public health services to people aged 5 and over in Trafford. The services are designed to:-

- Improve significantly the health and wellbeing of the people of Trafford.

- Carry out health protection functions.
- Reduce health inequalities across the life course, including within hard to reach groups.

The mandated public health services for the local authority are:

- National Child Measurement Programme.
- NHS health checks.
- Public health advice to the Clinical Commissioning Group,
- Sexual health commissioning.
- Protecting the health of the local population.

The public health services currently focus on the following areas:-

- Sexual health including STI testing and treatment and contraception
- NHS health check programme
- Local authority role in health protection
- Public health advice
- National Child Measurement Programme
- Obesity – adults and children
- Physical activity – adults and children
- Drug misuse and alcohol services for young people and adults
- Stop smoking services and interventions
- Children 5-19 public health programmes.

Public Health has continued its successful transition into Trafford Council and has developed closer links with other directorates in the Council to enhance the improvement of public health outcomes in Trafford. A comprehensive Public Health Delivery Plan for 14/15 is in place. Progress on this is overseen by the Public Health Delivery group. We will continue to work closely with the Trafford Clinical Commissioning Group through our core offer of public health support to the healthcare agenda and other partners such as the police and community safety partnerships to assess the current and future health needs and assets of the local community. We will work with all our partners and the community in order to deliver services based on local needs whilst addressing the requirements of the national Public health Outcomes Framework.

A robust framework to ensure optimal use of the Public health transitional grant has been adopted to ensure public health schemes are agreed in line with best practice, evidence and potential to improve outcomes

### **Approach to Budget**

The directorate has needed to manage a number of issues and challenges this year whilst still delivering high performing front line services that meet the needs of residents and businesses in the borough.

Our savings proposals are aligned to the aims of our Reshaping Trafford Council Programme, and are outline below.

### **Managing budget pressures**

#### **Home to School Transport £300k**

This saving will be achieved through implementation of recommendations from a review of the operational arrangements for transport provision including contracts with

providers, allocation of passenger assistants alongside further development of independent travel options.

A revised service is being developed within CFW to manage all aspects of School Transport provision ensuring consistency of approach and access to a wide range of specialist resources.

### **Education and Early Years £377k**

This proposal includes a restructure of the Early Years and Childcare service and the resource available to support private, voluntary and independent sector Early Years providers. We are also proposing to cease the holiday play scheme provision currently organised by the Early Years team and phase out the Graduate Leader Fund which subsidises the training of managers within the Early Years sector.

### **Expansion of Children's Home from 2 to 3 Beds £100k**

It is proposed to expand a Council run 2 bed Children's home to reduce the unit cost of placements and increase capacity locally avoiding more expensive independent places. The proposal includes investment in our in house foster care provision in order to reduce demand on more expensive agency provision.

### **Restructure the In-house Reablement Service Delivery £700k**

This proposal involves the restructure of the In House Reablement Service. This will mean refocusing reablement on people who have high level needs and the greatest potential to regain skills following a period of reablement and directing those who would not benefit from reablement straight to home care. The current reablement service will be reduced to maintain an enhanced service with the private market being to offer a reablement function within home care.

### **Building Based Day Support £71k**

This involves tendering of the Pathways (Day Centre). The service currently provides 30 places a week for older people and people with a learning disability. The same level of service will be re-provided in conjunction with partners. In the short term this saving will be achieved through the deletion of vacant posts.

### **Supported Accommodation £206k**

This involves tendering the in house supported accommodation service (eight properties supporting 26 people) and re-providing the same level of support with the external market. In the short term this saving will be achieved through the deletion of vacant posts and a reduction in the in-house stock.

### **Telecare £116k**

The proposal is to outsource the Telecare Programme, reducing cost to the Council including management costs, installation, monitoring, and call outs. This option protects the current level of funding of the preventative technology.

### **Voluntary and Community Sector £97k**

This proposal is to cease funding to a number of voluntary and community sector organisations and to remodel services as part of the Early Help and Integration programme giving a single cohesive, collaborative, holistic, ageless model to manage demand pressures across all care budgets in the future. This programme of work is part of the Reshaping Trafford transformation programme and forms an essential part of the Better Care Fund, with its intentions to release money from the acute sector into community support.

## **Trading/income generation**

### **Education Income £135k**

It is proposed to further develop income generation from services to schools including Education, Psychology, Music Service and Governor Services by expanding their offer and the level of buy-back.

## **Collaboration/working in partnership**

### **CAMHS £126k**

This will present in a reduction of the local authority contribution to the CAMHS service commissioned from Pennine Care Foundation Trust as part of the integrated service. All authorities received a CAMHS grant that was ring fenced until 2011 when it was mainstreamed into revenue budgets. Trafford has sustained funding for CAMHS as part of a joint commissioning arrangement and the saving will need to be considered in the context of the whole-service review, which is in progress. Consultation with both Pennine Care Foundation Trust and Trafford CCG is required to effectively manage this proposal and it will be subject to due process in relation to the contractual arrangements.

### **Youth Offending Service £130k**

This will include a fundamental review of the Youth Offending Service in conjunction with counterparts across Greater Manchester to identify opportunities for collaboration and efficiency. A staffing restructure will be undertaken to realise savings, the impact of which will be mitigated by collaboration and partnership working.

### **Better Care Fund (BCF) £2.0m**

The Trafford BCF for 2015/16 is £15.5m and requires a shared approach to delivering services and setting priorities across health and social care. The £2.0m identified in 15/16 to support the adult social care savings programme will prevent further reductions in adult social care services and therefore allow social care to deal with the demographic pressures and increased demand it faces as the activity shifts from secondary to community based care. In turn this will protect health and social care community and preventative services.

It is important to note that the BCF is not in itself additional funding but a requirement for the re-deploy funds from existing NHS services within the context of the financial settlement for health. This is a challenging requirement.

## **Managing demand/need for services**

### **CAN Personalisation £100k**

Personalisation was introduced for children with complex additional needs in April 2013 to ensure an equitable and effective use of resources to meet assessed needs. The model is now well established and continues to evolve to give families far greater flexibility and control of the support they receive. Savings are part of the ongoing impact of personalisation and will not involve any further changes.

### **Early Help Delivery Model £3.077m**

A transformational approach to delivering early help for children and young people moving to a more flexible activity based way of delivering services. It is proposed to have two hubs for delivery of services for 0-11 year olds in Stretford and Partington, and

a borough-wide base for 11-18 year olds in Sale. Existing building-based provision of Children's Centres and Youth Centres will cease, with the exception of the Hubs, and we will work with partners and the community to explore options for alternative use of sites through community asset transfer or other models. This means the closure, from April 2015 of the following Local Authority provision, although alternative options are being developed to mitigate the impact:

**Youth Centres:**

- Partington
- Davyhulme
- Lostock
- Sale West
- Broomwood
- Old Trafford
- Gorse Hill Studio's
- Duke of Edinburgh Award Centre
- Outdoor Education Team
- Street based Youth Work Teams

**Children's Centres:**

- Urmston
- Altrincham
- Sale
- Old Trafford

In addition only the minimum statutory duty will be met for Connexions and Education Welfare services. It is also planned to decommission current Early Help Framework provision to form part of a broader commissioning of activity which will be delivered from the hubs on an outreach model. We would like to enhance this commissioning activity on a partnership basis to give a place-based model that a range of partners can join.

Proposals for the future offer will set out a graduated model including;

- Development of a Trafford Youth Trust to co-ordinate universal youth provision
- Community asset transfer of Gorse Hill Studios to create a new community interest company that will operate as a registered charity
- Retaining the community led model at Broomwood Youth Centre managed by BlueSci
- Commissioning of targeted services against priorities identified in the Early Help Needs assessment

**Mental Health £100k**

We will review packages of care and out of borough placements for people with a mental health issue and support the return to the Borough as well as ensuring value for money. We will also review provision to refocus on a reablement type approach and review Dementia in reach service and Section 117 After Care.

**Supporting People and Homelessness £230k**

This will include ending contract arrangements (which expire on 31<sup>st</sup> March 2015) of the budget for supporting people which currently funds services that prevent or meet the needs of single homeless people.



This service is a generic floating support service that supports the wellbeing of vulnerable people in the community to enable them to maintain independent accommodation and prevent homelessness. The current cost of the service is £230K and the contract expires at the end of March 2015. This is a discretionary preventative service.

### **Reshaping our Social Care Offer £1.1m**

A change of policy in the way we meet eligible needs. Trafford Council will promote independence, resilience and maximise personal ability and assets. We will maximise public funding after the use of local community services, adaptations, equipment and technology has been explored to the fullest potential. The Council will only provide the most cost effective solution to meet eligible social care needs in Trafford. This will redefine the behaviour of staff and the service users. Local residents will be expected to use all benefits (Attendance Allowance Mobility, Disability Living Allowance) before public resources are assigned. The Council will support people to use local independent supplies for domestic services, cleaning, meal preparation and shopping and will no longer resource these non-eligible services unless no viable alternative can be found.

### **All-age Integrated Health and Social Care Delivery £500k**

We propose to develop an all age, integrated and locality based health and social care service in partnership with Trafford CCG and Pennine Care, the local NHS Trust commissioned by the CCG to provide community health services in Trafford. The integrated service will be organised to work as four multi-disciplinary teams serving one of the four Trafford Locality partnership areas. The service will be supported by a network of Early Help Hubs and a new all age integrated “front door” to ensure speedy and effective access to key services. The new service will be all-age and have a greater emphasis on prevention to ensure that individuals retain good health and independence for as long as possible. Social care and community health will be fully integrated as part of this model and there will be seamless joint working between professionals to meet the needs of individuals in partnership with the community and voluntary sector and private providers.

The council is proposing to take a phased approach to the development and implementation of the service delivery model. The established section 75 partnership agreement between Trafford Council and Pennine Care provides a strong foundation from which to evolve a new health and social care delivery vehicle. Work is already underway to implement integrated adult health and social care teams within a four neighbourhood model and this will continue as Phase I, in accordance with the current consultation process. This will provide invaluable learning in respect of the benefits that integration can bring and ensure that we identify best practice for future phases. It is proposed that Phase II will develop the integration programme a step further, and deliver greater service efficiencies, by moving to the new all-age service and the creation of a new service delivery model and governance structure. Both phases will function with a centralised point of access providing a ‘front door’ to all of the health and social care services being provided.

It is acknowledged that the integration of health and social care alone will not be sufficient to provide a completely holistic, integrated and affordable model of service that meets all of the requirements of the neighbourhoods that we serve. Further work will be required, in collaboration with relevant partners (statutory, private and third sector) that should form part of a wider partnership offer to the people of Trafford.

### **All-age Integrated Commissioning £830k**

A restructure of all commissioning activity for education, social care, health and public health to create an integrated structure to operate on all age basis. The revised structure will enable the effective commissioning of services to ensure value for money and quality across all aspects of CFW's work as well as making a substantial direct saving from reduction in staffing. There are significant opportunities from working on all age basis and resource will be targeted against priorities based on a number of key workstreams. The new structure will also ensure that the service is fit for purpose to meet the challenges of new legislation such as the Children and Families Act 2014 and the Care Act 2014.

### **Market Management £1.2m**

The Council will enter into discussions with providers across a number of client groups to identify the level of fee increases that will be agreed for 2015/16. A project will be undertaken to determine the 'Fair Price for Care' in Trafford. This will be based upon provider engagement in the process, current market pressures and what the Council can reasonably afford. A similar exercise has been carried out in the last three years which have informed Trafford's fee setting. This initiative will require due consideration from the legal perspective.

### **Learning Disabilities £2.617m**

This area was approved as part of the 2014-15 budget recovery plan and has commenced. A series of contract negotiations will take place with all existing providers, including supported living, residential and domiciliary care, day care, direct payments, commissioned and personal budget, to reduce the cost of current contracts. Trafford Council will accelerate of number of Tenders to create savings in year. A project will be undertaken with regard to determining 'Ordinary Residence' with a number of Individuals living out of area potentially being made ordinarily resident in that area, reallocating funding to the Authority where they are residing. In addition a further project will review individuals living out of area in residential or nursing care where a supported living model is the assessed need to review their Ordinary residence status. A review of high cost Care Packages, using the Just Enough Support approach will be undertaken to release efficiencies. Trafford will cease spend against the Learning Disability Development Fund. In order to avoid attributing spend against voids a greater emphasis will developed on the use of these placements, where voids are not fit for purpose, negotiations will take place with Housing Associations to restructure rents. The Council will negotiate with the CCG in relation to their contribution in relation to their contribution to the Pooled Budget.

### **Commissioning Review of Non Mandatory Services £1.5m**

It is proposed to undertake a review of all non-mandatory services commissioned by CFW including those funded through the Public Health Grant. An exercise will be undertaken to map current activity against priorities and agree our commissioning intentions for the future. The majority of services covered by the review are delivered by Voluntary and Community Sector providers so we will engage with the market to identify risks and look at any sustainability issues. Contracts for mandated services will also be reviewed to identify any opportunities for efficiency.

The review will also look at decision making processes and governance arrangements including the Health and Wellbeing Board to ensure they are fit for purpose.

## **Public Health**

Public Health has a budget of £10.8m to support the provision of health improvement services to the people of Trafford. We will align our resources to deliver our Public Health Strategy taking into account increasing demand for services, due to factors such as the impact of increasing health problems from alcohol abuse and obesity.

The budget setting process has been underpinned by the overarching principles of the CFW Directorate:-

- Integration
- Safeguarding
- Market Management and Quality Assurance
- Management of Demand
- Personalisation
- Promotion of Independence

The key overarching principles have been further strengthened by our partnership approach to the delivery of an ambitious review programme with the key driver of creating an integrated public health, social care and health service in Trafford.

The proposals for Public Health are as follows:-

- To implement a Public Health plan for Trafford working with our partners to maximise use of resources to address the needs of the population of Trafford.
- To continue to performance manage the Locally Commissioned services to ensure best use of resources for delivery of public health outcomes.
- To continue to prioritise public health projects with locally agreed criteria

## Budget Movement Summary 2015/16

The following summary table categorises the movement in the Directorate's budget for 2015/16. The Savings are also cross referenced to the Savings Schedules below.

Children's Services	2015/16 (£000's)	Savings Schedule Reference(s)
Budget Brought Forward	30,810	
Additional Resources to meet Pressures:		
- Pay Related Inflation	384	
- Contract Related Inflation	305	
- Specific Grant Reductions		
- New or Increased Specific Grants	432	
- New Statutory Responsibilities	318	
- Service Improvement	100	
- Demography	734	
<b>Total new resources allocated</b>	<b>2,273</b>	
Resource Reallocations through:		
- Efficiencies	(700)	
- New or Increased Income	(135)	
- Policy Choices	(3,710)	
<b>Total new resources allocated</b>	<b>(4,545)</b>	
Net Year-On-Year Change	<b>(2,272)</b> <b>(7.4)%</b>	
<b>Net Budget Proposal</b>	<b>28,538</b>	

## Budget Movement Summary 2015/16

The following summary table categorises the movement in the Directorate's budget for 2015/16. The Savings are also cross referenced to the Savings Schedules below.

<b>Adult Services</b>	<b>2015/16 (£000's)</b>	<b>Savings Schedule Reference(s)</b>
Budget Brought Forward	<b>49,566</b>	
Additional Resources to meet Pressures:		
- Pay Related Inflation	192	
- Contract Related Inflation	751	
- Specific Grant Reductions	-	
- New or Increased Specific Grants	<b>(370)</b>	
- New Statutory Responsibilities	-	
- Demography	1,400	
- Other	7,266	
<b>Total new resources allocated</b>	<b>9,239</b>	
Resource Reallocations through:		
- Efficiencies	<b>(3,112)</b>	
- New or Increased Income	<b>(2,421)</b>	
- Policy Choices	<b>(5,534)</b>	
<b>Total new resources allocated</b>	<b>(11,067)</b>	
Net Year-On-Year Change	<b>(1,828)</b> <b>(3.7%)</b>	
<b>Net Budget Proposal</b>	<b>47,909</b>	

## CFW – Schedule of Savings

Some of the following savings are the full year effect of decisions that have already been taken and reported to the Executive on 1 September 2014 as part of the additional measures to address the shortfall in the 2014/15 budget. Such savings have been brought to the front of each respective section (efficiency, income, policy choice), highlighted in grey and put in italics. Other savings, the majority, are new proposals and subject to post-consultation approval

Dir'	Port-folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
CFW	CS	1	Children with Complex and Additional Needs	Increased the use of personalisation to provide support.	Efficiency	(100)	Personalisation was implemented in April 2013 following a pilot process and subject to consultation and EIA at that stage. Savings will be achieved as a consequence of the proposals already implemented and no further impact has been identified.
CFW	CS	2	Children in Care	Expansion of Childrens Home		(100)	Increase in in house provision to save on more expensive independent fees.
CFW	CS	3	Home To School Transport	Review of operational arrangements to provide transport for pupils with SEN	Efficiency	(300)	This saving will be achieved through implementation of recommendations from a review of the operational arrangements for transport provision including contracts with providers, allocation of passenger assistants alongside further development of independent travel options. There have been no changes to policy or eligibility criteria and both Trafford's policy and legislation is clear that whilst a pupil may be eligible for transport, how that is provided is an operational decision for the council.

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
CFW	CS	4	Market Management	Renegotiation of Contracts	Efficiency	(200)	Negotiation with providers at a local level and through regional frameworks to manage inflationary increases. Any exceptional factors will be considered on an individual basis in discussion with providers.
<b>Efficiency sub-total</b>						<b>(700)</b>	
CFW	CS	5	<i>Music Service</i>	<i>Raise additional Income</i>	<i>Income</i>	<i>(30)</i>	<i>As part of the Trafford Services to Education workstream of Reshaping Trafford further expansion of the service will enable opportunities to increase income. This will be achieved by maximising the use of the Claremont Centre which houses the service from September 2014 and providing an increased service offer to schools and families. Proposals expand the service and the opportunities it provides to children in Trafford to access music tuition.</i>
CFW	CS	6	<i>Educational Psychology</i>	<i>Increase Income Budget to Match what is Being Achieved.</i>	<i>Income</i>	<i>(100)</i>	<i>As part of the Trafford Services to Education workstream of Reshaping Trafford further expansion of the service is planned. Additional income will be achieved from increasing the level of buyback from schools from September 2014.</i>
CFW	CS	7	<i>Governor Services</i>	<i>Increase Income Budget to Match what is Being Achieved.</i>	<i>Income</i>	<i>(5)</i>	<i>Service is fully funded from Schools buyback and has become part of Trafford Services to Education from October 2014. This will enable marketing of additional activity to increase income for the service.</i>
<b>Income sub-total</b>						<b>(135)</b>	

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
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CFW	CS	8	CAMHS Commissioning	Reduction in Multi Agency Contracts	Policy Choice	(126)	This will present in a reduction of the local authority contribution to the CAMHS service commissioned from Pennine Care Foundation Trust as part of the integrated service. All authorities received a CAMHS grant that was ring fenced until 2011 when it was mainstreamed into revenue budgets. Trafford has sustained funding for CAMHS as part of a joint commissioning arrangement and the saving will need to be considered in the context of the whole-service review, which is in progress. This may lead to a reduction in availability of CAMHS services and opportunities to mitigate the impact considered as part of a service review.
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Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
CFW	CS	9	Early Help Delivery Model	Transformation of Early Help support	Policy Choice	(3,077)	<p>Proposal is to establish a more flexible activity based way of delivering services. It is proposed to have two hubs for delivery of services for 0-11 year olds in Stretford and Partington, and a borough-wide base for 11-18 year olds in Sale. Existing building-based provision of Children's Centres and Youth Centres will cease, with the exception of the Hubs, and we will work with partners and the community to explore options for alternative use of sites through community asset transfer or other models. This means the closure, from April 2015 of the following unless any partners step forward to take on board the running and delivery costs:</p> <p><b>Youth Centres:</b> Partington, Davyhulme, Lostock, Sale West, Broomwood, Old Trafford, Gorse Hill Studios, Duke of Edinburgh Award Centre, Outdoor Education Team and Street based Youth Work Teams</p> <p><b>Children's Centres:</b> Urmston, Altrincham, Sale, and Old Trafford</p> <p>In addition only the minimum statutory duty will be met for Connexions and Education Welfare services. It is also planned to decommission current Early Help Framework provision and establishing a commissioning fund for activity which will be delivered from the hubs on an outreach model. We hope to enhance this commissioning activity on a partnership basis to give a place-based model that a range of partners can join.</p>

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
CFW	CS	10	Education Early Years	Re-organisation of Service	Policy Choice	(377)	There will be a restructure of the Early Years and Childcare service reducing to a minimum the resource available to support private, voluntary and independent (PVI) sector Early Years providers. We will also cease holiday play scheme provision currently organised by the Early Years team and phase out the Graduate Leader Fund which subsidises the training of managers in PVI Early Years settings.
CFW	CS	11	Youth Offending Service	Re-organisation of Service	Policy Choice	(130)	There is a fundamental review of the Youth Offending Service being undertaken in conjunction with counterparts across Greater Manchester to identify opportunities for collaboration and efficiency. A staffing restructure will realise savings and we are exploring how the impact can be mitigated by collaboration and partnership working.
<b>Policy Choice sub-total</b>						<b>(3,710)</b>	.
<b>Total All Proposals Children's Services</b>						<b>(4,545)</b>	

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**Portfolio Key**

**CS:** Children's Services Portfolio

**ASS:** Adult Social Services Portfolio

**CWB:** Community & Wellbeing Portfolio

Dir'	Portfolio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
CFW	ASS	12	Learning Disability	Renegotiation of existing contracts	Efficiency	(300)	This proposal involves renegotiating current contracts on spot placements, direct payment and personal budget services and as such there will no impact upon service delivery. Part of the 2014-15 Recovery plan.
CFW	ASS	13	Learning Disability	Acceleration of contract retendering	Efficiency	(790)	This involves accelerating the planned tender programme to create in year reductions which will involve the replacement of the service at a reduced cost. Part of the 2014-15 Recovery plan.
CFW Page 103	ASS	14	Older People	Externalisation of Reablement - to carry out a procurement exercise to provide re-ablement with the external market	Efficiency	(700)	This proposal involves completing a procurement exercise with the external market to provide reablement, still protecting the same level of hours provided each week. This will include the TUPE arrangements for all our current reablement staff into the new providers and embed the delivery in each of the new neighbourhood services to ensure a local understanding of community assets and resources is maintained. Initially a refocusing exercise to be completed internally and external market preparation to occur.

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
CFW	ASS	15	Learning Disability	Externalise supported living network	Efficiency	(206)	This involves tendering the in house supported accommodation service (eight properties supporting 26 people) and re-providing the same level of support with the external market. Internal reduction in property portfolio and staffing is proposed before externalisation.
CFW	ASS	16	Physical Disability	Telecare - to outsource the Telecare Programme to Trafford Housing.	Efficiency	(116)	The proposal is to outsource the Tele Care Programme, reducing cost to the council including management costs, installation, monitoring, and call outs. This option protects the current level of funding of the preventative technology. A soft market testing exercise is being undertaken.
CFW	ASS	17	All services	Market Management - Inflation management through negotiation with providers	Efficiency	(1,000)	The Council will enter into discussions with providers to identify the level of fee increases that will be agreed for 2015/16. This will be based upon provider engagement in the process, current market pressures and what the Council can reasonably afford.
<b>Efficiency sub-total</b>						<b>(3,112)</b>	

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
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CFW	ASS	18	Learning Disability	Void management	Income	(32)	This will involve making more referrals to voids or restructuring rents, there will be no negative impact on current services or individuals.
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Dir'	Port-folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
CFW	ASS	19	All adult services	Negotiated use of Better Care Fund to support current spend and protection of Social Care.	Income	(2,000)	The Trafford BCF for 2015/16 is £15.5m and requires a shared approach to delivering services and setting priorities across health and social care. The additional £2m identified to support the adult social care savings programme will prevent further reductions in adult social care services and therefore allow social care to deal with the demographic pressures and increased demand it faces. In turn this will protect health and social care community and preventative services. Reablement and Ascot House Residential Assessment service will be incorporated within the review of Intermediate Care. It is important to note that the BCF is not in itself additional funding but a requirement to re-deploy funds from existing NHS services within the context of the financial settlement for health. This is a challenging requirement.
CFW	ASS	21	All adult services	Continuing Healthcare	Income	(389)	This will involve identifying cases that are eligible for the CHC funding stream, this will not negatively impact individuals in receipt of services.
<b>Income sub-total</b>						<b>(2,421)</b>	

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
CFW	ASS	22	All Services	Voluntary and Community Sector - Reductions across a range of contracts with the VCS providing respite, carers and advocacy services	Policy choice	(97)	This proposal is to cease funding to a number of voluntary and community sector organisations and to remodel services as part of the Early Help and Integration programme giving a single cohesive, collaborative, holistic, all age model.
CFW	ASS	23	Learning Disability	Review of ordinary residence arrangements	Policy choice	(1,066)	This involves identifying individuals who wish to remain in supported living services out of area, making them ordinarily resident in that area and transferring funding responsibility.
CFW Page 107	ASS	26	Learning Disability	Reduce Development Fund	Policy choice	(40)	This involves ceasing funding for activity through the Learning Disability Development Fund, this will effect subscriptions to the National Autistic Society and the North West Training and Development Team and funding for the Housing Broker
CFW	ASS	27	Learning Disability	Review of Building based Day Support	Policy choice	(71)	This involves tendering of the Pathways (Day Centre). The service currently provides 30 places a week for older people and people with a learning disability. The same level of service will be re-provided with partners.

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
CFW	ASS	28	Homelessness	End contracts for Generic Floating Support Service	Policy choice	(230)	<p>This currently funds services that prevent or meet the needs of single homeless people.</p> <p>It is a generic floating support service that supports the wellbeing of vulnerable people in the community to enable them to maintain independent accommodation and prevent homelessness. The current cost of the service is 230K and the contract expires at the end of March 2015. This is a discretionary preventative service. The ceasing of the current service will be a reduction in the support offered to people at risk of losing their home.</p>



Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
CFW	ASS	29	All services	<p>Reshaping Trafford's Offer, a policy change in the way we meet eligible needs. We will:</p> <ul style="list-style-type: none"> <li>• Only fund the best value option to meet people's needs.</li> <li>• Use all benefits (Attendance Allowance Mobility, Disability Living Allowance) before public resources assigned.</li> <li>• Stop paying for Domestic Services, cleaning, meal preparation and shopping unless no viable alternative is available</li> <li>• Source alternative solutions to meet low level eligible needs.</li> </ul>	Policy choice	(1,100)	A change of policy in the way we meet eligible needs. Trafford Council will promote independence, resilience and maximise personal ability and assets. We will maximise public funding after the use of local community services, adaptations, equipment and technology has been explored to the fullest potential. The Council will source the most cost effective solution to meet the needs in Trafford. This will redefine the behaviour of staff and the service users. Local residents will be expected to use all benefits (Attendance Allowance Mobility, Disability Living Allowance) before public resources are assigned. The Council will support people to use local independent supplies for domestic services, cleaning, meal preparation and shopping and will no longer resource these non-eligible services unless no viable alternative is available.

Dir'	Port-folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
CFW	ASS	30	Mental health	Review of packages of care and out of borough placements.	Policy choice	(100)	A review of packages of care and out of borough placements for people with a mental health issue and support their return to the Borough as well as ensuring value for money. We will also review provision to refocus on a reablement type approach and review Dementia in reach service and section 117 After care.
CFW	ASS	31	All services	All age integrated health and social care - establish an integrated education, health and care commissioning service on an all age basis.	Policy choice	(500)	It is proposed to develop an all age, integrated and locality based health and social care service in partnership Trafford CCG and Pennine Care, the local NHS trust commissioned by the CCG to provide community health services in Trafford. The integrated service will be organised to work as four multi-disciplinary teams serving one of the four Trafford Locality partnership areas. It is proposed that the service will be supported by a network of Early Help Hubs and a new all age integrated "front door" to ensure speedy and effective access to key services. The new service will be all-age and have a greater emphasis on prevention to ensure that individuals retain good health and independence for as long as possible. Following transition we expect there to be a positive impact in line with research on integrated provision and Trafford's own experience in CYPS.

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
CFW	ASS	32	All services	All age commissioning - to develop a new delivery Model with a partner to deliver Integrated Health and Social Care in Trafford at a reduced cost.	Policy choice	(830)	A restructure of all commissioning activity for education, social care, health and public health to create an integrated structure to operate on all age basis. The revised structure will enable the effective commissioning of services to ensure value for money and quality across all aspects of CFW's work as well as making a substantial direct saving from reduction in staffing. The impact of the reduction in capacity will need to be mitigated from efficiencies in working on all age basis and resource will be targeted against priorities based on a number of key workstreams.
CFW	ASS		All services	Commissioning review of non-mandatory services.	Policy choice	(1,500)	It is proposed to undertake a review of all non-mandatory services commissioned by CFW including those funded through the Public Health Grant. An exercise will be undertaken to map current activity against priorities and agree our commissioning intentions for the future. The majority of services covered by the review are delivered by Voluntary and Community Sector providers so we will engage with the market to identify risks and look at any sustainability issues. Contracts for mandated services will also be reviewed to identify any opportunities for efficiency.

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
Policy Choice sub-total						<b>(5,534)</b>	
Total All Proposals Adults Services						<b>(11,067)</b>	
Total All Proposals CFW Service						<b>(15,612)</b>	

**Portfolio Key**

*CH&W: Community Health and Wellbeing Portfolio*

*ASS: Adult Social Services Portfolio*

*SCF: Supporting Children and Families Portfolio#*

*E: Education Portfolio*

## **Economic Growth, Environment and Infrastructure**

The directorate delivers the following services: environmental services, including waste collection, grounds maintenance and Greenspace and street cleaning; development control and strategic planning, economic growth and housing, highways, street lighting and flood risk management, regulatory services including environmental health, public protection, parking and building control, and property services, including managing council buildings and commercial properties.

Collectively the directorate is responsible for managing critical infrastructure and green spaces in the Borough, land use planning, ensuring and promoting community and public safety and attracting investment into the Borough to support economic growth, employment and opportunities.

### **Service Performance**

The Economic Growth, Environment and Infrastructure directorate has a track record of delivering high quality and low cost services. We have striven to improve or maintain performance in the current year. Some notable service performances and improvements are shown below:

- Clean 2,000 linear miles of highway channels and footways at least once every 8 weeks;
- Remove approximately 6,000 tonnes of street sweepings per annum and 500 tonnes of litter from approximately 1,200 waste and litter bins (streets and parks);
- Remove approximately 1,750 tonnes of fly-tipping per year;
- Respond to more than 450 incidences of graffiti per year;
- Maintain 40 public parks covering 243 hectares, with 6 Green Flag parks and 30 Friends of Parks groups;
- In 2014/15 will serve 2.7 million school meals, an increase of 400,000 from the previous year following the introduction of Universal Infant Free School Meals in September 2014;
- Supported 38 Partington residents into employment through the innovative Partington Pledge, matching young unemployed people with local employers;
- Supported 51 new businesses to start trading through our Business Start Up programme, delivered in partnership with Blue Orchid;
- 182 new affordable homes delivered by our housing association partners in 2013/14;

- The first authority in Greater Manchester to introduce the Community Infrastructure Levy, a charge on development to support planned growth and investment in critical infrastructure;
- In 2013/14 the Planning Service received 2,563 planning applications – a 36% increase on 2012/13;
- The planning service determined 66.7% of all decisions on major planning applications within 13 weeks, 67.1% of all minor planning applications within 8 weeks and 86% of ‘Other’ planning applications within 8 weeks;
- 13 surplus sites were disposed of by the Council with a value of £3.1m in the financial year 2013/14, with a further £4.7m of receipts anticipated from disposals in 2014/15. Further sites with an estimated value of £6.1m have been identified for disposal from 2015/16;
- The Council empty over 30,000 domestic wheeled bins per day;
- 58% of domestic waste was recycled in Trafford in 2013/14, one of the best performances of all Greater Manchester authorities;
- The Council is now collecting more food/garden waste than we have ever done before;
- Support and regulate over 5,000 premises for food, health and safety, trading standards, pollution and licensing and maintain other health and safety initiatives;
- Manage on street and off street parking across the borough, 1,700 spaces and 22 off street car parks. Eleven Council car parks have been awarded Park Mark awards for providing safe parking;
- Licence and regulate 2,400 premises, people and taxis within the Borough;
- Carry out 4,600 pest control treatments in homes, schools and businesses across the borough.

### **Approach to Budget**

The directorate is looking to develop new and innovative approaches to delivering services, including working with a range of private, public and third sector partners. These approaches are based on improving the efficiency of the service and looking at opportunities to increase income where this is appropriate and proportionate. Service standards will be maintained as far as practicable, and where reduced will be in line with national guidelines.

### **Joint venture contract**

We are proposing to work with a private sector partner to deliver a range of environmental, highways, street lighting and property services on a long term contract, improving the efficiency of the services, increasing income and making best use of council assets.

## **Senior Management Restructure**

There will be a rationalisation of Senior Management structure to ensure the new single directorate will be appropriately aligned in terms of adopting new models of service delivery.

## **Managing the Budget pressures**

### **Schools Crossing Patrols**

We have reviewed our arrangements for School Crossing Patrols. The proposal is to:

- Provide a sustainable, reliable School Crossing Patrol Service which operates in line with national guidance;
- Implement the RoSPA/RSGB guidelines (Royal Society for the Prevention of Accidents and the Road Safety Great Britain);
- Following independent review, remove selected crossing points which do not meet the National Guidelines, resulting in a reduction of 26 crossing points from the current 97 points, with one additional crossing point (No. 103) retained for a further 12 months;
- Implement the RoSPA/RSGB guidelines for assessment of any new crossing point proposals.

Schools affected by any proposed changes will be given the opportunity to fund a particular crossing point from their own resources or those of a third party sourced by the school/community.

### **Festive Lights**

The proposal is for illuminated Christmas decorations to only be erected where these are paid for by external financial contributions, such as from local businesses.

### **Parking Fees**

It is proposed that the parking fees in Trafford are 10p, 30p and 70p for stays of 1 hour, 2 hours, 3 hours. We are proposing to increase charges to: 20p, 60p and £1 for stays of 1 hour, 2 hours and 3 hours respectively.

### **Allotment Fees**

Allotment fees will be increased from £1.50 to £2.00 per week, as approved by Council in February 2014.

### **Fees and Charges**

These will be increased by an average of 5% to better recover costs, and will take into account comparisons with similar providers and potential effects on demand, as appropriate.

## **Collaboration/working in partnership**

### **Gas safety checks**

We will review our arrangement for working in Partnership with Trafford Housing Trust to support compliance of gas safety requirements.

## Budget Movement Summary 2015/16

The following summary table categorises the movement in the Directorate's budget for 2015/16. The Savings are also cross referenced to the Savings Schedules below.

<b>Economic Growth, Environment &amp; Infrastructure</b>	<b>2015/16 (£000's)</b>	<b>Savings Schedule Reference(s).</b>
Budget Brought Forward	33,457	
Additional Resources to meet Pressures:		
- Pay Related Inflation	316	
- Contract Related Inflation	558	
- Energy costs	230	
- Business Rates	33	
- Waste Disposal Authority Levy	343	
- Non sustainable savings from 14/15	66	
<b>Total New Resources Allocated</b>	<b>1,546</b>	
Resource Reallocations Through:		
- Efficiencies	(2,336)	E1,2
- New or Increased Income	(324)	E3,4,5,6
- Policy Choices	(154)	E7,8
<b>Total Resources Reallocated</b>	<b>(2,814)</b>	
Net Year-On-Year Change	(1,268) (3.8)%	
<b>Net Budget Proposal</b>	<b>32,189</b>	



## Economic Growth, Environment & Infrastructure – Schedule of Savings

Dir.	Portfolio	Ref	Service Area	Description of Saving	Category of Saving	Value of saving (net) 2015/16 £000's	Impact of Saving (e.g. service, equality, other)
EGEI	O&E/EGP	E1	EGEI Joint Venture/ Contract (JVC) lots	Joint Venture Contract for Environmental, Highways, Street Lighting and Property Services	Efficiency	(2,250)	Total to be saved through JV contract procurement, to commence on 1st July 2015, subject to approval by Executive in March 2015.
EGEI	O&E/EGP	E2	Across EGEI	Senior Management Restructure	Efficiency	(86)	Rationalisation of Senior Management structure to ensure the new single directorate will be appropriately aligned in terms of adopting new models of service delivery.
<b>Efficiency sub-total</b>						<b>(2,336)</b>	
EGEI	O&E	E3	Parking	Parking Fees	Income	(231)	Increase in fees from 10p, 30p, and 70p to 20p, 60p, and £1 for stays of 1 hour, 2 hours and 3 hours respectively. Assumes no change in customer parking behaviour.
EGEI	O&E	E4	Public Protection	SLA income from THT re: gas safety	Income	(28)	Working in Partnership with Trafford Housing Trust to support compliance of gas safety requirements. Service agreement has been implemented.
EGEI	O&E	E5	Sustainability & Greenspace	Allotments	Income	(15)	Increase in fees from £1.50 to £2 per week approved by Council in February 2014.

Dir.	Portfolio	Ref	Service Area	Description of Saving	Category of Saving	Value of saving (net) 2015/16 £000's	Impact of Saving (e.g. service, equality, other)
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EGEI	O&E/ EGP	E6	Cross-Directorate	Fees and Charges	Income	(50)	Fees and charges – average 5% increase to better recover costs.
<b>New Income sub-total</b>						<b>(324)</b>	
EGEI	O&E	E7	Highways	All festive lights externally funded	Policy Choice	(40)	All festive lights to be fully funded by external contributions from partners from 2015.
EGEI	O&E	E8	Education Services	School Crossing Patrols – implementation of RoSPA Guidelines	Policy Choice	(114)	Reduction of 26 school crossing patrol points
<b>Policy Choice sub-total</b>						<b>(154)</b>	
<b>Total All Proposals</b>						<b>(2,814)</b>	

**Portfolio Key**

**O&E:** Operations & Environment Portfolio

**EGP:** Economic Growth & Planning Portfolio

**Transformation & Resources (T&R)****Service Description**

The Transformation & Resources Directorate provides both corporate support and frontline services, which work together to act as a catalyst for transformation and innovation to respond to the increasing pace and scale of change required to reshape Trafford Council for the future. Critical to this is the support we provide to ensure our workforce is well-motivated and skilled to enable them to provide excellent services to residents. We will continue to lead on driving corporate improvement by providing good governance, financial, legal and HR probity and strengthening our strategic and local partnerships to develop resilient and safe communities.

The Directorate has a diverse range of services and an extensive customer base. It provides a large number of customer facing services such as Access Trafford (our customer service centre), housing benefits, collection of Council Tax and Business Rates, library services and safer communities. We also organise elections and manage the electoral register, conduct marriages, civil partnerships and register over 10,000 births, deaths and marriages every year. We work very closely with our partners and the community and some of our services are co-located at Stretford Police Station; Trafford is also sharing office accommodation at Sale Police Station. This helps to strengthen collaborative working so we can develop resilient and safe communities and maintain Trafford as the safest place in Greater Manchester.

Within the directorate are a range of support services which provide all the 'back office' functions which deliver services to other directorates as well as offering services to a number of external organisations. Our back office services include; financial management, audit, procurement, legal, human resources, ICT, transformation, performance and communications and marketing. These services have been centralised to reduce costs, reduce risks, and provide consistently high professional standards.

The Procurement Service is known as STaR and is hosted in Trafford and jointly owned by Stockport, Trafford and Rochdale Councils. The directorate is also responsible for delivering Trafford Services for Education; this is a service, which supports schools and academies with key needs such as HR, Finance and Governor Services. The remainder of the directorate is devoted to providing direct support to Councillors, the Council leadership and the Trafford Partnership, which is a single body of more than 100 organisations, including local and regional partners from across the public, private, voluntary and community sectors.

**Service Performance**

The Transformation and Resources Directorate has a track record of delivering high quality and low cost services. We have striven to improve or maintain performance in the current year. Some notable service performances and improvements are shown below:

## **Low Council Tax and Value for Money**

- The Council collects over 97% of Council Tax which supports the Council's financial resources.
  
- Trafford Library Service has implemented many changes over the last five years which has led to more efficient ways of working and enabled savings whilst still maintaining all libraries. These have included;
  - Introducing self-service (RFID) in 2008 which is now integral to service delivery. It enabled library staff to offer enhanced options for users by dealing with a range of council enquiries covering areas such as council tax and benefits, waste and recycling, pest control, blue badges and free school meals. Trafford's was one of the first library services in the country to train staff to fully deal with this.
  - The introduction of volunteers, first as a pilot in two libraries and later expanded to cover all libraries.
  - Investing in a new library management system which as well as being cheaper will also have benefits for customers across Greater Manchester as seven of the ten authorities will be using the same system.
  
- The Council's Customer Contact Centre deals with over 330,000 telephone enquiries per year. In 2014/15, the Contact Centre target is to answer 80% of telephone calls within 20 seconds. Cost savings have been made in staffing as the online services increase and this has reduced the cost per call from £3.04 to £2.50.
  
- The time to process new benefit claims is 14 working days which is an improvement on previous performance.
  
- Action to reduce fraud has resulted in £890,000 of fraudulent benefit overpayments in 2013/14 being identified and 62 prosecutions. A further £560k of overpayments had been identified since April 2014.
  
- Health and well-being events have been provided to residents, offering free health checks, such as blood pressure and diabetes, together with advice on smoking cessation and alcohol awareness.
  
- Services to register births, deaths and marriages have improved with joint services with Manchester Register Office so that we register births for Trafford residents who have given birth in Manchester hospitals. We also offer the enhanced "Tell Us Once" service for both births and deaths and offer appointments through lunchtime to assist residents who are working.

### **Safe place to live - fighting crime**

- Trafford continues to be the safest area in Greater Manchester, with the lowest crime rate per person. Crime has fallen by 54% in the last 7 years.
- The number of Anti-Social Behaviour incidents has fallen due to significant reductions in malicious and nuisance communications and hoax calls to emergency services. There have been notable improvements in Partington, reflecting the successful work of the Trafford Partnership in tackling perpetrators.

### **Economic Growth and Development**

- The Council has more than doubled the amount of retail rate relief awarded to eligible businesses. We have already achieved that with awards totalling £732,000 which is an additional £500,000 since the uptake started.
- We pay 96.5% of invoices within 30 days which supports business.
- 82 apprenticeships have been created and of these, 52 have completed their apprenticeship with 44 that have gone on to secure jobs internally and externally. There are 18 apprentices currently on the programme.
- Through its business engagement activity, the Council has contacted over 1000 Trafford businesses to provide advice, support and encouragement to recruit apprentices. 120 opportunities have been created to-date.
- In 2013/14, Waterside Arts Centre had over 110,000 visitors, selling 40,000 tickets and levels of satisfaction continue to be high.

### **Services focussed on the most vulnerable people**

- Trafford Assist, a partnership of the Council, Citizens Advice Bureau, Trafford Housing Trust and others, was launched to provide crisis support to residents. To date there have been over 3,800 applications processed, with 75% of applicants successful.
- Trafford Partnership supported young people to enter an activity agreement, where one-to-one support was provided with training and skills, alongside work with the family and carers to reduce the risk of homelessness. The project has been very successful and 85% of participants have moved into education, employment and training, and homelessness has been reduced in the borough.
- Trafford is providing work experience placements, life skills training and employment and mentoring opportunities to vulnerable young people, including our Looked After Children and young people with learning difficulties.

- South Trafford Partnership – isolation of older people. The Partnership has successfully bid for funding from Our Place to develop a project, which brings together a range of partners to work innovatively to tackle this key local issue.

### **Other Service Achievements**

- We have supported a range of sporting and leisure activities in the borough including the Greater Manchester Marathon, the Ashes and the Rugby League World Cup Final
- The Council's website has been improved so that people can get information easier. Webcasting of Council meetings was introduced in June to open up democracy for local people.
- The 2014-15 Voluntary Sector Grant scheme funded 36 projects across all Locality Partnership areas, allocating £103,008.74 in grant funding.

### **Approach to Budget**

The directorate has again needed to manage a number of issues and challenges as part of this budget process and still deliver high performing front line services that meet the needs of residents and businesses in the borough. Whilst every effort has been made to exploit technology, implement cost efficiencies and identify innovative delivery models therefore the savings proposals are aligned to the aims of our Reshaping Trafford Council Programme. The budget for 2015/16 has reduced by £1.2m (6.8%), comprising unavoidable pressures of £1.7m. These pressures include for the continuation of the Trafford Assist scheme at a cost of £0.554m despite the grant support ceasing in 2015/16. The additional expenditure is offset by £2.8m of savings with details included in the schedule.

### **Budget Movement Summary 2015/16**

The following summary table categorises the movement in the Directorate's budget for 2015/16. The Savings are also cross referenced to the Savings Schedules below.

<b>Transformation &amp; Resources</b>	<b>2015/16 (£000's)</b>	<b>Savings Schedule Reference(s)</b>
Budget Brought Forward	17,560	
Additional Resources to meet Pressures:		
- Pay Related Inflation	373	
- General Price Inflation	147	
- Contract Related Inflation	16	
- Specific Grant Reductions	797	
- Demographic	180	
- Other	40	
- 2014/15 Budget Realignment	106	
<b>Total new resources allocated</b>	<b>1,659</b>	
Resource Reallocations through:		
- Efficiencies	(201)	T&R 1-2
- New or Increased Income	(26)	T&R 3
- Policy Choices	(2,621)	T&R 4-6
- EGEI Corporate Landlord	(0)	T&R 6
<b>Total new resources allocated</b>	<b>(2,848)</b>	
Net Year-On-Year Change	(1,189) (6.8)%	
<b>Net Budget Proposal</b>	<b>16,371</b>	

## Transformation & Resources – Schedule of Savings

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
T&R	T&R	1	Directorate-wide	Mitigation of inflationary pressure	Efficiency	(147)	Most running cost budgets will be maintained at their current level. Savings will be achieved by reducing usage and existing procurement procedures.
T&R	C&P	2	Partnerships & Communities	CCTV	Efficiency	(54)	This will be achieved through the implementation of new working patterns and a review of our existing camera stock to ensure that it is being utilised effectively. A soft market testing exercise will also be carried out to determine the most appropriate model for the service in the future in order to reduce the costs of providing the public realm cameras.
<b>Efficiency sub-total</b>						<b>(201)</b>	
T&R	C&P	3	Culture & Sport	Waterside Arts Centre income	Income	(26)	As a result of the implementation of a new staffing structure, improvements undertaken to the front of house & box office and the relocation of the bar, Waterside Arts Centre will continue to develop and improve the service with a view to increasing income by £26k in 2015/16. This will be achieved in a number of ways including an increase in activity and sales and a review of fees & charges.
<b>Income sub-total</b>						<b>(26)</b>	



Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
T&R	T&R	4	Directorate-wide	<p>Trafford Support Services (<b>indicative savings shown below</b>)</p> <p>There is a further £(348)k of T&amp;R support service budget reductions associated with the Joint Venture Contract (JVC). The part year impact in 2015/16 is £261k This is in addition to the overall savings detailed in this annex.</p>	Policy Choice	(1,620)	<p>Work undertaken to :</p> <ul style="list-style-type: none"> <li>establish unit costs and benchmarking</li> <li>Look at potential demand for support services going forward</li> <li>Develop delivery models which are commission/customer focused and that flex according to customer demand and budget. Specialist skills are retained and additional capacity brought in.</li> </ul> <p>This work has been carried out to develop new structures which will be fit for purpose for 2015/16 with resilience to support the business, capability to develop commercial opportunities and provide services that are attractive to existing customer and new partners.</p> <p>Budget reduction in respect of the JV will be achieved by staff transfers under TUPE regulations or further savings measures.</p>
T&R	T&R	4a	Audit	Trafford Support Services ( <b>£37k</b> )			Amend structure based on a "fit for purpose" service that will deliver savings

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
T&R	T&R	4b	Communication	Trafford Support Services (£158k)			New structure with new job roles will be implemented with a focus on proactive PR

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
T&R	T&R	4c	Finance Services	Trafford Support Services (£595k), (£438k in 2015/16)			<p>The savings will come from 4 sources:-</p> <p><b>a) Financial Management team £300k</b> - New operating model and structure centred on a commercial business partner approach leading to a reduction in staff from 53 to 39 FTEs. At this stage it is estimate that the impact in 2015/16 will be £157k lower than planned due to transitional arrangements that will be required until the new structure is bedded in.</p> <p><b>b) Exchequer Services £255k</b> - Review of transactional services arising from the introduction of Risk Based Verification earlier this year and the merging of the Financial Services team within CFW with Revenues and Benefits and a reduction in numbers from 116 to 99 FTEs.</p> <p><b>c) External Audit Fees £55k</b> – reduction in fees from Grant Thornton the external auditor who can continue to rely on internal audit and financial management assurances on main systems. This is adjusted in the Council-wide budget.</p> <p><b>d) Other savings £40k</b> – Includes savings in internal audit costs, banking contract and additional capitalisation of fees..</p>

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
T&R	T&R	4d	ICT	Trafford Support Services (£750k)			These savings will be made through a rationalisation of roles, reduction in development and operational capability in line with demand and a review of existing contracts and software.
T&R	T&R	4e	Legal	Trafford Support Services (£120k)			New structure with new job roles will be implemented which will focus on retaining specialist skills and managing demand
T&R	T&R	4f	Performance	Trafford Support Services (£117k)			High risk corporate and service information to be prioritised. The service will develop an online management toolkit to allow manager access to information to reduce demand on the service. Reductions to the existing structure will be implemented to achieve the savings.
T&R	C&P	5	Culture & Sport	Trafford Community Leisure Trust	Policy Choice	(451)	On-going discussions are taking place with the Council and Trafford Community Leisure Trust to finalise proposals.

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
T&R	T&R	6	Access Trafford	Library Review	Policy Choice	(550)	Although the provision of a library service is a statutory obligation, in Trafford there is considerable overlap between virtually all of Trafford's libraries. The consultation on libraries is in two phases, the first was completed in December 2014 (which gathered public views on how the savings could be achieved). The second will end on 27 February 2015. At this stage the full year impact of the savings is still estimated at £700k with a part year impact in 2015/16 of £550k. These figures are still subject to the outcome of this consultation which will be reported back to the Executive on 16 March 2015.
<b>Policy Choice sub-total</b>						<b>(2,621)</b>	
<b>Total All Proposals</b>						<b>(2,848)</b>	

**Portfolio Key** T&R: Transformation and Resources Portfolio F: Finance Portfolio, C&P: Communities & Partnerships

## Council-Wide Budgets

### Service Description

There are a number of budgets that relate to the Council as a whole and/or affect all services. Finance Services, within the Transformation & Resources Directorate manage the expenditure and income for these areas.

The current 2014/15 net budget is £23.2m, of which the majority relates to the transport levy payable to the Greater Manchester Combined Authority, debt charges for loans taken out to support past investment in infrastructure through the capital programme, and 'non-ring fenced' Government grants including Education Services Support, Council Tax Freeze Compensation and New Homes Bonus.

A summary of the Council Wide budget for 2015/16 by gross expenditure and gross income is shown below;

Council-wide Budgets	2015/16			2014/15	Change (£000's)
	Gross Exp (£000's)	Gross Income (£000's)	Net (£000's)	Net (£000's)	
Housing Benefit Subsidy GM Combined Authority	68,069	(68,007)	62	(88)	150
Transport Levy	16,543	0	16,543	16,748	(205)
Other Levies	1,178	(27)	1,151	1,118	33
Treasury Management	11,164	(3,245)	7,919	8,386	(467)
Non-ringfenced Grants	0	(8,308)	(8,308)	(6,804)	(1,504)
Insurances	1,826	(951)	875	775	100
Additional Pension Allowances	1,037	0	1,037	1,179	(142)
Contingencies and Provisions	1,583	0	1,583	586	797
Members Expenses	904	0	904	926	(22)
Business Rates	2,592	(579)	2,013		2,013
External Audit	130	(4)	126	181	(55)
Discretionary Rate Relief	0	0	0	152	(152)
Other	4	(2)	2		2
<b>Total Budget</b>	<b>105,030</b>	<b>(81,123)</b>	<b>23,907</b>	<b>23,159</b>	<b>748</b>

The 2015/16 budget is proposed to increase by £0.748m. The salient features of each budget line is set out below.

### Housing Benefit Subsidy and Discretionary Housing Payments

The budget for Housing Benefit payments and subsidy, plus Discretionary Housing Payments, are effectively administered on behalf of the Government. The budget has remained static for two financial years, however recent improvements in real time information (RTI) from HMRC has resulted in an increase in the number of

overpayments being identified. The Council subsequently receives a lower benefit subsidy payment which has caused an in-year budget pressure. The Council is entitled to keep any recovery of overpayments, however the budget has been increased in 2015/16 by £150k until there is certainty that overpayment can be collected from individuals.

### **Precept & Levies**

The Council's contribution to the GMCA for the transport levy for 2015/16 has been confirmed at £16.543m, a reduction of £(0.205)m compared to 2014/15.

The Council also has the legal responsibility to contribute to a number of other agencies that provide services on behalf of all or a number of Greater Manchester Authorities; details are :-

<b>Other Levies &amp; contributions</b>	<b>Net 2014/15 £000</b>	<b>Net 2015/16 £000</b>	<b>Change £000</b>
Coroner's and Mortuary fees (South Manchester Coronal District)	504	534	30
Flood Defence levy (Environment Agency)	141	144	3
Association of Greater Manchester Authorities (AGMA).	331	331	-
Other (LGA Subs, Probation, Parish Council Grants)	142	142	-
<b>Total Other Levies</b>	<b>1,118</b>	<b>1,151</b>	<b>33</b>

Changes in population estimates have increased the relative share of the costs of the Coroner's service between the Council, Stockport (lead Authority) and Tameside Council. Trafford's contribution is estimated to increase by £0.030m in 2015/16.

An estimated provision of 2% increase has been made for the costs of the Flood Defence levy.

### **Treasury Management**

The Council's treasury management operations ensures that day to day cash flows are adequately planned for, surplus monies are invested in low risk counterparties and the longer term cash flow implications of the Council's current and historical capital spending operations are met.

A reduction in debt costs in 2015/16 reflecting repayment of maturing debt and additional investment income has generated savings of £(0.5)m.

## Non-ringfenced Grants

The proposed Council-wide budget holds £(8.308)m of non-ringfenced grants.

Grant	2014/15 (£000's)	2015/16 (£000's)	Change (£000's)
New Homes Bonus	(1,881)	(2,453)	(572)
Childrens Service Adoption Grant	(197)	0	197
Council Tax Freeze Grant 14/15 (note a)	(894)	0	894
Council Tax Freeze Grant 15/16		(903)	(903)
Local Service Support Grant	(25)	(17)	8
Business Rates Compensation Grants (note b)	(344)	(2,143)	(1,799)
Council Tax Annex Grant	(10)	(10)	0
Education Services Support Grant	(3,453)	(2,782)	671
<b>Total</b>	<b>(6,804)</b>	<b>(8,308)</b>	<b>(1,504)</b>

### Notes

- a) The Freeze grant for 2014/15 is now included in the settlement funding assessment.
- b) Business Rate Compensation Grants are to reimburse the Council for Small Business Rate Retention, Retail Rate Relief and Business Rates inflation Cap; these have been features of the previous two autumn statements announced by the Chancellor of the Exchequer.

## Business Rates Pooling

The Council will be in a business rates pool with the other nine Greater Manchester Councils and Cheshire East Council. The advantage of the pooling arrangement is that any levy paid by the Council on business rate growth will be retained in the pool. An agreement has been negotiated with the other AGMA authorities that Trafford can retain for its own use one third of the levy that it would otherwise have paid to the Government.



The expenditure budget in Council Wide represents the forecast levy payable on business rates growth. The estimated growth in business rates in 2015/16 is £(3.7)m of which Trafford's share (49%) is £(1.81)m, the full levy payable to the pool is £1.74m. In addition, a levy in the sum of £0.855m is anticipated to be payable in 2014/15 for growth in that year. This will be accounted for in the 2015/16 budget to be consistent with the recording of that year's growth in the Council's accounts. It should be noted that the additional income from business rates growth is treated as 'funding' ie is similar to how council tax is used to pay for the budget. The budget includes the one third retained levy which is worth £(0.578)m.

### **Insurance**

The cost of premiums and claims, mainly for fire, public and employers liabilities. This budget is net of the recharge for similar insurance cover provided to Schools.

### **Contingencies and Provisions**

This budget includes provision, on behalf of the Council overall, for a number of expense items that are uncertain in value and for which individual services would have difficulty in meeting. The largest component is an allowance for redundancy costs, which has been increased to £0.413m; this has partly been financed from a reduction in historic pension costs (see below).

A further allowance of £0.7m has been made as a prudent general contingency to cushion against possible slippage in the delivery of the significant savings programme in 2015/16.

A central allowance for bad and doubtful debts has always been included in Council Wide. This amounts to £0.315m and compares to the £17m of invoiced income that the Council raises each year. The budget provision has been steadily reduced over the recent years.

### **Additional Pension Allowances**

This budget is to pay for past decisions to augment pensions for members of staff who left the employment of the Council. These decisions date back a considerable period of time; no augmentation to pensions have been awarded to Council staff in the past 10 years. The budget is adjusted each year for pensions falling out of payment and for inflation on the remaining pensions.

### **Members Expenses**

The costs of Councillors' allowances and associated running costs, including communications and ICT equipment costs. The proposed budget for 2015/16 includes £0.013m for pay and running costs inflation and a saving of £(0.035)m on allowances following a recent change to the Members' Allowances Scheme following an Independent Remuneration Panel review.

### **External Audit Fees**

External Audit Fees covers the standard fee and grant work totalling £0.126m; this has been reduced by £(0.055)m for 2015/16 as a result of efficiency savings passed on by our new auditor, Grant Thornton, and their continued confidence in the core system controls which helps to reduce the resources committed to the audit.

### Discretionary Rate Relief

The Discretionary Rate Relief budget in the Council's General Fund is no longer required as the cost is now accounted for in the Collection Fund as a consequence of the new business rates retention scheme. This has generated a reduced budget requirement of £0.152m.

### Budget Movement Summary 2015/16

The following summary table categorises the movement in the Directorate's budget for 2015/16. The Savings are also cross referenced to the Savings Schedules below.

Council-wide Budgets	2015/16 (£000's)	Savings Reference(s)
<b>Budget Brought Forward</b>	<b>23,159</b>	
Housing Benefit Subsidy	150	
Passenger Transport Levy	(205)	
Other Levies	33	
Net changes in Treasury Management	(467)	
Ringfenced Grants	(1,504)	
Reducing reserve support to Insurance budgets	100	
Contingencies and Provisions	923	
Inflation	14	
Business Rates	2,013	
Other Budgets	1	
<b>Total new resources allocated</b>	<b>1,058</b>	
Resource Reallocations through:		
- Efficiencies	(275)	C-W1, 2, 4
- New or Increased Income	-	
- Policy Choices	(35)	C-W3
<b>Total Savings</b>	<b>(310)</b>	
Net Year-On-Year Change	<b>748</b> 3.2%	
<b>Net Budget Proposal</b>	<b>23,907</b>	

## Council-wide Budgets – Schedule of Savings

Dir'	Port- folio	Ref.	Service Area	Description of Saving	Category of Saving	2015/16 £000's	Impact of Saving (e.g. service, equality, other)
C-W	F	C-W1	Terms & conditions	Old Car Lease Scheme	Efficiency	(68)	
C-W	F	C-W2	NDR	Discretionary rate Relief to Collection Fund	Efficiency	(152)	
C-W	F	C-W4	External Audit	Reduction in statutory audit fees	Policy Choice	(55)	
<b>Efficiency sub-total</b>						<b>(275)</b>	
C-W	F	C-W3	Members	Member's Allowances budget	Policy Choice	(35)	
<b>Policy Choice sub-total</b>						<b>(35)</b>	
<b>Total All Proposals</b>						<b>(310)</b>	

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**Portfolio Key**  
*F: Finance Portfolio*

**REPORT of the DIRECTOR OF FINANCE  
to the COUNCIL 18 FEBRUARY 2015**

**ROBUSTNESS of the 2015/16 PROPOSED BUDGET ESTIMATES  
(S25-26 LGA 2003)**

**1. INTRODUCTION**

- 1.1 The Local Government Act 2003 requires the Chief Finance Officer (Director of Finance) to report independently to the Council his own opinion as to the robustness of the budget requirement estimate (S25 of the Act) and on the adequacy of reserves (S26).
- 1.2 The Law requires that such a report is put before Council as part of the overall budget deliberations, and that such a report be considered prior to the approval of the Budget Requirement and the setting of a Council Tax.
- 1.3 A summary of this report providing the general opinion is included within the main report at section 8.

**2. BACKGROUND**

- 2.1 For the past 12 years I have reported to Members of the Council about the robustness of the budget plans. In these years it may have appeared to be a routine report but the importance of it, and indeed its limitations, were brought into sharp focus when it became apparent in April 2014 that the Council's forecast financial position had been understated. Therefore it is worth restating how the robustness assessment is undertaken.
- 2.2 With the support of the senior Finance staff within the Transformation & Resources directorate, I review the Executive's budget proposals at varying levels of detail and as far as possible take account of known factors that will have a significant bearing on the conduct of the Council's business in 2015/16 and the medium term. Importantly it includes discussion, information and assurances supplied by Directors and other senior staff. The statement is not a guarantee that expenditure will be contained within each budget line as the nature of the Council's business means that some services will be placed under financial pressure at various times throughout the year. Therefore it is an assessment of the overall budget package and whether there is a reasonable expectation that the budget overall will not be breached.
- 2.3 I also take account of how the Council is likely to react if an adverse financial situation was to arise during the year. This helps in assessing the adequacy of reserves. The Council acted positively in 2014 when faced with an unexpected financial difficulty which has led me to the view that despite an

increasingly challenging financial environment the minimum level of reserve can remain at the current level of £6m as a reasonable amount to cover for unforeseen circumstances not included in the detailed budget proposals.(See Section 5 of the main report).

- 2.4 The consequences of the common business risks facing the Council can be summarised into three categories:
- **Spending exceeds budget;** this can include where demand for services is higher than expected, either in terms of number or need, such as in the statutory services in social care. This can also be where external factors affect Council operations, such as the weather on winter gritting spending. There may also be new expenditure pressures or commitments which were not anticipated during the budget process, for example due to changes in regulations/legislation;
  - **Income falling short of expected levels;** the risks include customers no longer buying services or buying them from elsewhere, or reduced support from sponsors whether this is partners, Government departments or other public bodies. External factors, such as the economy, can have a significant impact on certain expected income levels;
  - **Challenge of organisational change;** the general challenge for local government to make a significant contribution to reducing the national budget deficit. The Council's proposed budget for 2015/16 contains for savings proposals of £(21.5)m, which is the highest level of savings required since austerity started in 2010, and there is a specific risk that savings will not be sufficiently realised or are not realised quickly enough.
- 2.5 At a detailed level budgets are based on forecasted activity and have been subject to appropriate challenge, sensitivity analysis and that they reasonably allow for a degree of error. Risks can be mitigated through a variety of management actions and the Corporate Management Team has ensured that in higher risk areas additional capacity and rigour has been put in place to ensure forecast savings are robust and are capable of being delivered during the year. As part of this review a lower savings target has been included in the proposed budget. Savings will continue to be monitored through the CMT Transformation Board, the CFW Programme Board as well as the established monthly financial monitoring of all Council activity on an outturn basis from June each year. A risk based approach to budget monitoring will be introduced during the year to reflect reduced capacity in support services.
- 2.6 All aspects of the budget have been reviewed to ensure that reasonableness (robustness) tests have been carried out, that detailed calculations are sound, and that the risks have been quantified and provided for as far as possible.

When taken with an assessment of minimum reserve levels, a reasonable professional opinion on robustness can therefore be determined.

- 2.7 The following sections outline the assessment of expenditure and income, and the determination of an appropriate reserve level for the 2015/16 Executive Budget proposals in order for them to be considered as robust.

### **3. EXPENDITURE ANALYSIS**

#### **Schools related expenditure**

- 3.1 Locally schools funding is split between centrally held Education Support Services budgets, and devolved schools' budgets, and apportioned to individual schools by a funding formula. Distributing funding across schools, recognising deprivation and special educational needs factors, has become increasingly difficult at a time of reduced resource availability. To combat this situation, the Schools Funding Forum has recommended that basic entitlement in the funding formula should be increased from 75% of available funding to 78%, and this has been approved by the Executive.
- 3.2 The challenges facing the Schools delegated budgets are:
- Schools are required to meet all inflationary increases in their expenditure as well as potentially reducing funding out of their delegated budgets. Pressures include pay awards of 1% or higher and increased pension contributions;
  - As a consequence of funding pressures on the Council budget, some Educational Support Services are either being reduced or moving into a buy-back or trading service, with the intent that schools will pay for those services in future. With limited funding schools will be forced to make choices between continuing these services, other buy-back services and their own core budgets;
  - Some Schools will have falling pupil numbers which will reduce funding, and there is a stepped nature to the costs for Schools experiencing either increasing or decreasing rolls.
- 3.3 There is pressure on schools from Government to address the attainment gap between affluent and not so affluent pupils. However, to assist with this ambition the Pupil Premium Grant is distributed to primary schools (£1,300 per pupil) and secondary schools (£935 per pupil).
- 3.4 Schools set their own budgets and are aware of their responsibilities and the Scheme for Financing Schools. There is a framework whereby those facing financial difficulties must inform the Council as soon as possible so that financial risks can be mitigated. Any reductions in pupil numbers are

monitored closely and schools that may have problems are contacted. To assist schools in discharging their financial responsibilities the Council provides a dedicated professional finance team on a buy-back basis.

3.5 The level of schools balances overall is healthy, however, if an individual school faces financial difficulty, for example as a result of falling rolls, the Council will work closely with the school to construct a recovery plan with the use of the licensed deficit scheme. Assisting schools in financial difficulty is a statutory function of the Council and any intervention is always done in proportion to the risks involved.

3.6 There are pressures on the high needs funding

- Demographic increases in the numbers of pupils with statements of special educational needs.
- Historical volatile pressures on SEN out-of-Borough placements
- The protection factor for special schools
- Inflationary pressures

3.7 These risks are mitigated by:

- Increased funding from increasing pupil rolls;
- The number of available spaces for in-Borough placements has increased;
- There is currently an SEN review taking place which is expected to reduce pressures on SEN expenditure;
- The brought forward DSG reserve of £2.777m.

#### **Employee costs (non-schools)**

3.8 This is a significant area of spend and the potential risks tend to be estimating the size of the national pay award (if any), national insurance and pension changes. For 2015/16 these changes are known in advance and provision has made in the budget.

3.9 Most budgets include a vacancy factor i.e. a reduction in budget, to reflect that it is usual across a directorate for vacancies to exist at any point in time whilst recruitment is underway for replacement staff. Directorates' senior management teams need to keep this under review when approving the filling of vacancies.

### **Agency Staff**

- 3.10 Agency and contract costs have been closely managed since the Executive introduced austerity measures in July 2010, enhanced by an AGMA procured Agency contract which has fixed the rates for many job roles.

### **Organisational Change Costs**

- 3.11 The Council has established an earmarked reserve to cover the costs arising from organisational change. In 2015/16 more staff will be leaving the Council than in previous years which will lead to increased, albeit one-off, costs. A forecast of the possible cost over the medium term has been carried out and an increase in this reserve is recommended (see section 5).

### **Contract Costs**

- 3.12 The budget makes a general allowance based on known inflation rates for increases in contract costs, and specific additional allowance for particular contracts that have inflationary rates more specific to them.
- 3.13 Through the Council's Contract Procedure Rules, the STaR shared procurement service and the AGMA procurement team, both hosted by the Council, there is considerable contract activity to ensure that costs for goods and services are kept as low as possible. In many cases services have put forward savings in terms of contract cost reduction as a consequence of procurement activity and each of these savings proposals has been subject to robust assessment by the appropriate professional staff.
- 3.14 The Council spends approximately £50m providing support for over 8,300 adults in residential and community care. A consultation process and market review of charges, with older peoples' residential and home care providers is currently underway. As the consultation is not yet complete this poses a risk for the Council and this is commented upon further in para 3.30.

### **Demand led budgets**

- 3.15 Social care budgets, in particular, are dependent on the numbers of clients, and client need, which can be difficult to predict. The costs of service provision can also be volatile, as any one single client may cost hundreds or perhaps thousands of pounds per week. A significant risk arises therefore that the social services budgets, and similar volatile demand led budgets, are not sufficient to cover the Council's legal obligations, which would lead to an impact on reserves or other service budgets.
- 3.16 The proposed budget includes specific provision, £2m 2015/16, for additional placement costs and demographic pressure in both adults and children's



service using forecasts of future demands. Management controls have been strengthened in 2014, including:

- a revised Resource Allocation model, which now includes a weekly **Resource Panel** with wider representation including Directors. The aim of the revised model is to ensure that the amount of funding allocated is based on “Just Enough” support principles, to minimise cases agreed outside the Resource Panel and to ensure that the process for agreeing funding for individual packages of care is strengthened, ensuring that both senior operational managers and commissioners scrutinise each case and make best use of available resources, voids, contracts etc. In addition a further panel has been established to exercise the same level of scrutiny on cases coming out of the internal and external reablement services;
  
- The internal **Business Delivery Programme Board** has recently refreshed the way it works, splitting into three key elements:
  - Core Business;
  - Financial Business;
  - Learning Disability Business.

This new approach ensures Directors, lead commissioners, Finance Managers and Heads of Operational Services maintain oversight of activity linked to the budget and address key issues relating to financial monitoring reports, monitoring of savings targets, and other budget recovery action taken. A revised approach to escalating issues arising to the CFW Senior Leadership Team has also been agreed;

- **Financial Tracking and Monitoring:** an overarching Activity Plan has been developed which details all areas of activity linked to the Learning Disability Pooled Budget, including previous Recovery Plans and Business Cases in respect of 2014/15 and 2015/16 savings proposals. In addition a financial spread sheet has been created to allow reductions to be quantified based on “real time” information. The spread sheet highlights the starting position, reductions projected based on Business Case plans and actual reductions achieved once actions have been implemented and savings realised. The introduction of the facility to track financial changes will support the programme of work and highlight where savings have been achieved and also where there may be areas at risk.

## **Benefit Payments**

- 3.17 In 2015/16 there is a significant gross budget at £67m for Housing Benefit payments. Both the cost of benefits and the cost of administration are largely covered by Government grant as the Council undertakes this role essentially on an agency basis. The remaining funding of the costs of benefits comes from the recovery of overpaid benefit.
- 3.18 Caseload appears to have plateaued recently; however, there are risks associated with caseload demand increasing beyond expected levels in 2015/16, and the associated potential for reduced performance in the accurate awarding of benefit. In October 2014 DWP/HMRC introduced real time information (RTI) on an individual's earnings so that an accurate award of benefit can be made. However this has led to overpayments of Benefit being identified which in turn leads to a reduction in government subsidy. This additional financial pressure has been reflected in the budget and action to recover overpaid benefits will continue. Also, the very gradual roll out of Universal Credit has seen no noticeable impact yet on the cost or administration of Housing Benefit.
- 3.19 In 2013/14 the Government abolished the national council tax benefit scheme and introduced a local council tax support scheme (CTSS, and also known as the council tax reduction scheme). At the same time there was a reduction in funding at a national level of 10% with each authority deciding how to deal with the funding reduction by determining its own Benefits Policy.
- 3.20 The financial risks to the Council from the CTSS are two-fold. The first is the number of claimants entitled to council tax support being higher than forecast, as any increase in this number has to be met from the Council's own budget (previously it was the Government's responsibility). Every 1% change could result in a cost of £100k. The second risk is that some households have to pay more in council tax and some will be paying for the first time. After two years the evidence is that there are fewer claimants and that there has been no noticeable impact on overall council tax collection performance. Nevertheless there remains an underlying risk given the current economic climate. Trafford has a strong local economy compared to many other authorities and is in a better position to deal with downturns; however if there was a rise in claimants this would have to be met from reserves in the immediate short term as changes in the scheme are not permitted mid-year.

## **Income from Traded Services**

- 3.21 Traded Services with schools represents a significant part of the Council's budget, with approximately £5m of income being generated across various service areas. Academy status can have an impact on whether a given school

buys back a services the Council provides, most notably would be insurance which cannot be provided by the Council to an academy. In addition, the contract renewal for schools trading services has moved to an academic year, and the level of budget assumed buy back could change in September. Due to the stepped nature of costs it may not be possible to reduce costs commensurate with any reduction in income. Having said that, there are examples of additional business being won from other public sector organisations; these are relatively small scale at present but provide an indication that the Council can generate additional income through trading.

### **Debt Servicing**

- 3.22 There are a number of risks associated with treasury management and the Capital Investment Programme, many of which are outlined in more detail in the relevant reports also on the agenda. In 2015/16, given the historically low level of interest rates, the Council has built into its budget plans that no new external borrowing will take place and that cash balances will be run down instead. This is common in many authorities.
- 3.23 Risks are influenced by external factors relating to the overall economy, which at the present time continue to be difficult to predict and may have uncertain effects.
- 3.24 The primary Treasury Management risks are: movements in the cash flow cycle and; interest rate changes for either debt or investments. Investment rates are expected to continue at their current low levels and this is factored into our forecasts. However, rates could change rapidly and the Council not only undertakes pro-active Treasury Management, it also employs on a retainer basis external consultants who ensure as best as possible that the Council is informed early of any adverse changes and/or potential opportunities.
- 3.25 The sums and risks involved in these areas can be considerable, therefore special attention has been given in the assessment of the minimum reserve calculation.

### **Levy payments**

- 3.26 The risks associated with levy payments for GM Combined Authority (£16.5m) and Flood Defence (£0.1m) are borne by the respective levying body. The Waste Disposal levy can vary according to the tonnage of waste collected. A reasonable assumption on the tonnage figures has been included in the budget and monthly figures are provided by the Waste Disposal Authority to assist in monitoring of the budget. In addition there is a small smoothing reserve available to equalise the costs of the Waste Disposal PFI over the medium term.

## **Savings**

- 3.27 The 2015/16 budget is based on achieving savings totalling £21.5m, the highest target in the Council's history. The Council has now built up considerable expertise in efficiency programming, monitoring, delivery and benefit realisation, and a tradition of successfully delivering significant savings.
- 3.28 Each of the savings proposals is subject to milestone and contingency planning, backed up by a delivery plan. However, the generation of savings is becoming harder, taking more effort and time to deliver; there has been evidence of this during 2014/15 where for the first time a number of savings measures have not been achieved fully. The majority of the savings are to be found within the CFW directorate and therefore represents the greatest risk. Additional resources have been identified in 2014/15 to assist in identifying and helping deliver savings over the two years 2015-17. Also a reassessment has been carried out and a lower target compared to the draft (October 2014) proposals is included in the recommended budget.
- 3.29 In EGEI the main area of saving is expected from the Joint Venture procurement exercise. At the time of writing the exercise is not yet completed and as such there is a risk that the budget assumption will not be realised. In mitigation, bidders have known from the outset that minimum savings of 20% are required; in addition further savings may be possible by the use of prudential borrowing in place of bidders' higher borrowing costs, although this will require discussion after the contract has been awarded.
- 3.30 The Council has carried out a public consultation on a number of customer facing savings proposals. The Council believes its consultation has been thorough but an application for Judicial Review proceedings were brought to challenge the Council's approach. A challenge to the budget consultation has been brought in the High Court. The Claimant has alleged that the Council's consultation process was unfair in that it did not set out alternative proposals such as the possibility of raising Council Tax to offset the proposed savings, or the use of reserves to the same end. The Claimant seeks a declaration that the consultation was unlawful and an order quashing the consultation which has taken place. The application for Judicial Review is contested by the Council and a full hearing of the claim will take place on 16 February 2015. A report to update the Executive with regard to the proceedings will be made available for 18 February 2015. Nevertheless it does highlight that there is an increasing risk of legal challenge as the Council strives to find ways to stay within its resource availability. In the event of any delay in achieving savings as a result of legal proceedings there will be a requirement to find alternative

means of staying within budget; the one-off use of reserves to bridge any temporary saving shortfall would have to be considered at that time and the ability to do so will depend on the scale of the financial gap.

- 3.31 There are three service areas that have an on-going public consultation, the library service, school crossing patrol service and care home provision. The budget will be set before the final decisions are taken in these areas. Therefore the budgets for the directorates in which these services reside are indicative. At the time the Executive considers the feedback from consultation and makes its final decision it will be free to consider whether it wishes to amend the allocation of resources in those directorates. It would also be able to use reserves on a temporary basis if it wished to vary its proposals but this would not be a sustainable position and therefore alternative proposals to provide a permanent budget solution would have to be identified as a priority.

#### **4. INCOME ANALYSIS**

##### **Government Grants**

- 4.1 The main source of funding remains Government grants. The proposed 2015/16 budget is based on the level of general and specific grants as notified by the Government. Provisional estimates have been included in the MTFP for government grants yet to be declared; these grants total £(2.8)m as at 23<sup>rd</sup> January 2015. Of these grants £(1.1)m of expenditure would reduce proportionate to the grant, leaving a net risk in shortfall of income of £(1.7)m. The majority of this £(1.6)m relates to Section 31 Grants to compensate the Council for the Government's decision to extend the small business rate relief. The likelihood of significant variation is deemed not to exceed a level which can be eliminated by management action within the base budget.

##### **Fees and Charges**

- 4.2 Variations in income are expected to be managed by services within their budgets. The budget includes income from Fees and Charges of £20m. The calculation of the minimum general reserve level allows for potential reductions in fees and charges generally, and for any further effects of the economic climate on existing income streams included in the proposed budget.
- 4.3 Any downturn in the economic climate can also reduce the ability to collect debt, and improved arrangements for bad debt collection were introduced during 2010/11 giving managers more responsibility for the recovery.

- 4.4 Trading activities will be closely monitored during the year and costs reduced to compensate for changes in trading levels.

### **Investment Income and Dividends**

- 4.5 The main source of dividend income is from Manchester Airports Group (MAG). The budget includes for £1.4m in dividend as notified, and is based on the company's ten year business plan. Since the Group was restructured with a new equity investment partner and the acquisition of Stansted airport, the business has flourished. An interim dividend was paid for the first time, in 2014, and will be used in support of 2015/16 budget. However it is too early to say whether this will be a recurring level of dividend in the future and therefore the inclusion of the amount in the budget is being treated as a one-off i.e. similar to a reserve.
- 4.6 The prospects of a global economic recovery remain fragile and Europe in particular continues to face very challenging times. Forecasters are now downplaying a rise in interest rates and the budget forecasts have been adjusted accordingly. A small provision for either a rate reduction and lower than expected balances has been built into the calculation of the minimum general reserve level.

### **Council Tax**

- 4.7 On the whole council tax is a reliable and sustainable source of income, however, it does have some risks:
- Revaluation claims continue to be received by the Valuation Office. Unlike business rates, there is no cut-off date by which appeals must be made; the Council has no control over these appeals or their outcome.
  - It is possible that future discounts and exemptions exceed expected levels. In mitigation the Council is currently carrying out a Single Person Discount review which is expected to identify a number of households that are not entitled to this discount.
- 4.8 The service has a track record of good collection performance and the highest in Greater Manchester.

### **Business Rate Retention Scheme**

- 4.9 The Business Rate Retention Scheme introduced in 2013/14 represented a significant change in the financial regime governing local authorities by introducing the potential for local authorities to retain an element (24.5% in Trafford's case) of the growth in their business rates. However, the opposite is also true in that the Council is liable for a proportion (49%) of reductions in business rates, subject to cap on the Council's liability.

- 4.10 Considerable uncertainty exists over the likely financial impact of outstanding appeals against rateable values (RV) lodged with the Valuation Office. This posed a considerable risk to the Council but in 2013/14 it was able to set aside a provision in its accounts to help deal with the risk of costly backdated appeals.
- 4.11 As a result of this prudent step the Council is now forecasting a growth in business rates income in 2014/15. Furthermore it has agreed to join a business rates pool in 2015/16 and has successfully negotiated with AGMA Leaders that a share of any retained levy will be paid to Trafford. Further details are included in section 4 of the budget report.

## **5. GENERAL APPROACH TO THE BUDGET**

- 5.1 The budget process has involved the identification or forecasting of spending needs, likely resource availability, and opportunities for efficiencies, income generation and resource realignment. Issues identified during the 2014/15 budget monitoring process and planning process review have been addressed in the 2015/16 budget wherever appropriate.
- 5.2 The process has involved the Executive Portfolio Holders, members of the Corporate Management Team and other service management supported by Finance Managers.
- 5.3 All budget managers have been requested to agree their budget working papers and are therefore aware of their proposed budget for 2015/16, and the assumptions the budget is based on, which includes income targets.

## **6. EMERGENCIES and CONTINGENCIES**

- 6.1 Across the Council relevant services have been reviewing their contingency and emergency plans to deal with business interruptions, such as a power cut or high levels of localised sickness, and emergencies, such as extreme weather conditions. Business continuity plans are developed to reduce reliance on increased expenditure.
- 6.2 The Council carries some insurance to mitigate some potential risks and circumstances, and in the cases of emergencies, the Government has an emergency funding (the "Bellwin") scheme.
- 6.3 However, there are limits to insurance and the extent of the Council's insurance reserves, and the Government emergency funding scheme has both an activation threshold and a maximum percentage contribution to costs. The minimum level of general reserve also includes for the need to set aside monies for emergencies and disasters.

## **7. CONCLUSION ON ROBUSTNESS**

- 7.1 There can be no guarantee that expenditure will be contained within each and every budget; this is due to the varying demands that are placed on the Council's business. In recognition of this there is a comprehensive approach to the budget preparation and the assumptions underpinning its calculation, together with monitoring arrangements, provide reasonable assurance that overall the Council will meet the majority of its financial responsibilities with the planned resources available.
- 7.2 The year ahead presents a number of financial challenges, and in particular I would draw Members' attention to areas of uncertainty for which mitigating action is included in the budget and/or reserves, if required;
- The scale of savings required, over and above that delivered in the previous five austerity budgets, and in particular the CFW directorate, will be demanding on the capacity of managers and staff;
  - A number of savings are still be agreed, including those subject to consultation;
  - The outcome of the current Joint Venture procurement contract will not be known until after the budget has been agreed;
  - The Council could face legal challenge in the decisions it makes, and whilst every effort has been made to guard against the likelihood of successful challenge, the costs of defending any such proceedings could be significant;
  - The uncertainty that exists on demand led services;
  - The reliance that the Council has, for the first time, on business rates growth to support its spending plans.





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## TRAFFORD COUNCIL

**Report to:** Executive and Council

**Date:** 18 February 2015

**Report for:** Decision

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

### Report Title

**CAPITAL PROGRAMME & PRUDENTIAL INDICATORS 2015/18**

### Summary

This report consists of two main areas for the Executive to consider:

**Capital Programme** – This report highlights the Council's investment plans for the next three years taking into account the estimated resources to be made available from Government as well as the Council's own resources. The level of resources forecasted to be available for capital investment purposes during the period 2015/18 is £79.2m.

New schemes with a value of £9.6m are recommended for approval. If agreed this would result in a total Capital Programme for 2015/18 of £79.7m (see Appendix 2).

There may be further additions to the capital programme arising from the Joint Venture procurement exercise and also discussions with Trafford Community Leisure Trust, both currently on-going. These will be the subject of further reports.

**Prudential Indicators** – the Council is required to set indicators in accordance with the CIPFA Prudential Code which are designed to support and record decisions taken on affordability, sustainability and professional good practice and these are outlined at Appendix 3.

### Recommendations

That the Executive :

- 1) approve the Capital Programme as detailed in the report.
- 2) notes that additional schemes may be added to the Capital Programme following the Joint Venture procurement exercise.
- 3) recommends the Council to approve the Capital Programme in the sum of £79.7m for the period 2015-18.
- 4) recommends the Council to approve the Prudential Indicators as set out at Appendix 3 of this report.

Contact person for access to background papers and further information:

Name: Mark Hughes

Extension: 2072

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial Implications	Planned capital expenditure over the next three year period will be contained within available capital resources.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Staffing/E-Government/Asset Management Implications	A number of improvement schemes are being undertaken in 2015/18.
Risk Management Implications	Not Applicable
Health and Safety Implications	A number of schemes are being undertaken in 2015/18 on the grounds of health and safety.

## INTRODUCTION

1. Annually the Council sets a three year Capital Programme and the purpose of this report is to :
  - review the decisions taken in February 2014 with regard to the 2015/2016 and 2016/2017 budgets in light of any new priorities and bids for capital support
  - to amend 2015/16 and 2016/17 budgets for any updated central government grant allocations
  - propose an indicative 2015/18 Capital Programme taking into account the issues reported above and
  - ensure that there are adequate levels of resources available to finance the three year Capital Programme.

## STRATEGIC CONTEXT

2. The Capital Strategy outlines the Council's approach to capital investment with the purpose of providing clear direction for the Council's capital investment plans in order to ensure that capital investment assists in achieving its priorities.
3. The Council, along with its partners in the Local Strategic Partnership (LSP) is focused on ensuring Trafford is a  
**"Great place for everyone to live, learn, work and relax."**
4. To achieve this overall aim the LSP has developed a Community Strategy, "Trafford 2021 – a blueprint", that has a number of objectives to realise this vision. The Council's contribution to each of those objectives is contained within the Corporate Plan and is something the Council has consulted on widely in order to develop the following priority areas for medium term planning.
5. The aim of the Capital Strategy is to:-  
***Link capital investment to Council priorities*** by ensuring resources are allocated to schemes using a transparent prioritisation process.  
***Achieve value for money from available capital resources by using*** options appraisal techniques for all new projects and adopting the Council's Procurement Policies for managing capital projects.

**Develop an affordable Capital Programme by:-**

- Adopting a robust budget preparation and challenge process
- Ensuring compliance with the CIPFA Prudential Code to ensure spending plans are prudent, affordable and sustainable
- Considering the full extent of revenue implications in the Medium Term Financial Plan
- Optimising the level of capital receipts from asset disposals
- Maximising the use of external support towards capital projects

**Manage the Capital Programme effectively** with projects completed on time and within budget by:-

- Effective budget monitoring and reporting, including milestone monitoring
- Effective project management methods
- Identifying and managing risks; and implementing measures to mitigate them

**CURRENT CAPITAL PROGRAMME 2014-17**

6. The current forecasted expenditure for 2014/15 to 2016/17 is £96.7m with estimated resources available to support this programme of £97.6m, summarised below

<b>2014-17 Capital Programme &amp; Resourcing</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>Total £'000</b>
<b>Service Area</b>				
• Children, Families & Wellbeing	23,341	20,107	9,255	52,703
• Economic Growth, Environment & Infrastructure	15,270	15,857	8,350	39,477
• Transformation & Resources	4,338	135		4,473
<b>Capital Programme total</b>	<b>42,949</b>	<b>36,099</b>	<b>17,605</b>	<b>96,653</b>
<b>Resourcing</b>				
• Capital Grants	27,049	21,619	10,005	58,673
• External contributions	2,625	2,806	250	5,681
<b>External Resources</b>	<b>29,674</b>	<b>24,425</b>	<b>10,255</b>	<b>64,354</b>
• Capital Receipts	7,732	5,777		13,509
• Borrowing	1,208	4,700	4,600	10,508
• LSVT VAT Income	7,717			7,717
• Revenue & Reserves	1,279	185		1,464
<b>Internal Resources</b>	<b>17,936</b>	<b>10,662</b>	<b>4,600</b>	<b>33,198</b>
<b>Resourcing total</b>	<b>47,610</b>	<b>35,087</b>	<b>14,855</b>	<b>97,552</b>
<b>(Surplus) / Deficit</b>	<b>(4,661)</b>	<b>1,012</b>	<b>2,750</b>	<b>(899)</b>

7. As part of the budget process the Programme has been reviewed to ensure it continues to meet Council priorities and remains affordable within the level of resources available.

8. The 2014/15 programme of £42.9m includes the delivery of a number of key projects including:-
  - Schools additional places and improvement programmes - £18.6m
  - Highways Improvements - £9.1m: includes road safety, street lighting and structural maintenance.
  - Housing Grants – £2.2m: Includes Disabled Facilities Grants and grants to home owners & programmes to bring neglected properties up to decency standards.
  - ICT Programmes - £4.2m: including CRM at £2.4m EDRMS at £0.6m Web Strategy & CMS at £0.4m and superfast broadband at £0.3m.
  - Adult Social Care - £2.7m – Includes Telecare, integrated adult social care ICT system and support for Extra Care Housing for the elderly.
  - Environmental Programmes - £1.6m: includes Parks & Open Space, Waste Management & Bereavement Services
  - Corporate Landlord & Asset Management - £2.3m : a range of works including mechanical, electrical, DDA and other improvements to council facilities.
  - Altrincham Town Centre Regeneration and Altair land assembly costs - £2.0m
  
9. The current 2014/15 programme is funded from external grants and contributions of £29.7m, 69% of the overall budget. The balance £13.2m being internally resourced, including borrowing, reserves, LSVT VAT income and receipts from the sale of assets.

#### **EXTERNAL RESOURCE AVAILABILITY 2015/16 to 2017/18 - £56.8m**

10. External resources available to support the Capital Programme are received from a number of sources. Grants from central government departments and agencies, developer contributions in the form of S.106 agreements and contributions from bodies interested in specific projects.
  
11. Government grants are awarded for specific schemes, for example school building improvements, provision of additional school places or highway structural maintenance and are notified annually. In order to propose a 3 year investment programme, assumptions are made on the level of support in later years. We have now been advised of the grants we will receive in 2015/16 and 2016/17 and budgets in those years have been amended accordingly. In line with these notifications budgets have also been built in to 2017/18 resulting in a total increase of £9.9m across the 3 years.
  
12. As well as the government department grant awards we have also been notified of £1.6m of grants from Transport for Greater Manchester to support works in Altrincham Town Centre and the Trans Pennine Trail.
  
13. In December 2014 it was agreed the Council would contribute £20m over the next 5 years towards the Metrolink extension through Trafford Park to the Trafford Centre. The contribution is to be financed primarily from S.106 agreement receipts, will be released in stages and £7.0m has been added to the 2015-18 Capital Programme. The balance is payable in 2018-19 and 2019-20
  
14. Altrincham and Stretford town centres are undergoing major re-development financed by developer contributions, TfGM grants and internal resources. In addition to the resources already included in the Capital Programme a further

£1.9m of S106 contributions and £1.8m of TfGM grant are to be included in 2016/17.

15. The table below provides a breakdown of the £22.1m of updated and new resources to be added to the Capital Programme.

<b>Additional Grants &amp; External Contributions</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
<b>Government Grants</b>			
• Schools Basic Need			4,200
• Schools Devolved Formula			390
• Schools Maintenance			1,929
• Adult Social Care			500
• Disabled Facility			750
• Highways Structural Maintenance	150*	(47)*	2,069
<b>Sub-total</b>	<b>150</b>	<b>(47)</b>	<b>9,838</b>
<b>Other Grants</b>			
• Transport for Greater Manchester	1,625	1,750	
• Veolia – Longford Park, Stretford	50		
<b>Sub-total</b>	<b>1,675</b>	<b>1,750</b>	
<b>Developer Contributions</b>			
• S.106 – Metrolink extension	3,000	2,000	2,000
• S.106 – Water Taxi Project **	(114)		
• S.106 – Altrincham Town Centre		1,850	
<b>Sub-total</b>	<b>2,886</b>	<b>3,850</b>	<b>2,000</b>
<b>Total</b>	<b>4,711</b>	<b>5,553</b>	<b>11,838</b>

\*Amendments to grants already included in the Capital Programme

\*\* Scheme no-longer going ahead.

16. As a result of the additional resources reported above estimated external resources total £56.8m are available across the three year programme. A breakdown across years is shown in below.

<b>External Resources</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>Total £'000</b>
<b>Current Resources</b>				
Capital Grants				
• Schools	16,857	6,755		23,612
• Adult Social Services	1,441	1,250		2,691
• Highways	3,321	2,000		5,321
<b>Sub-total</b>	<b>21,619</b>	<b>10,005</b>		<b>31,624</b>
External contributions	841	250		1,091
S.106 contributions	1,965			1,865
<b>Sub-total</b>	<b>2,806</b>	<b>250</b>		<b>3,056</b>
<b>Total current resources</b>	<b>24,425</b>	<b>10,255</b>		<b>34,680</b>
<b>Additional Resources</b>				
Government Grants	150	(47)	9,838	9,941
Other Grants	1,675	1,750		3,425
Developer Contributions	2,886	3,850	2,000	8,736
<b>Total additional resources</b>	<b>4,711</b>	<b>5,553</b>	<b>11,838</b>	<b>22,102</b>
<b>Total External Resources</b>	<b>29,136</b>	<b>15,808</b>	<b>11,838</b>	<b>56,782</b>

## INTERNAL RESOURCE AVAILABILITY 2015/16 to 2017/18 - £22.4m

17. Internal resources mainly comprise of capital receipts from the disposal of surplus assets, LSVT VAT receipts and borrowing. The 2014/17 programme is fully funded and there is currently a £0.9m surplus of internal resources.
18. The latest estimate of capital receipts from the disposal of surplus assets is £9.8m (which is net of any adjustment for disposal costs and £0.6m use of receipts to support the cost of the PFI scheme at Sale Waterside). At this stage no estimate has been made on levels of capital receipts beyond 2015/16. The majority of the proceeds are already committed to support existing capital priorities such as the disabled facilities grants, integrated transport schemes and schemes to protect assets.
19. In addition other resources are expected to be available to support future years investment:-
- The Local Authority Mortgage Scheme (LAMS) was first included in the Capital Programme in 2012/13 and we are due to receive a £1.5m repayment of our 1<sup>st</sup> tranche of investment in 2017/18.
  - The Old Trafford Masterplan has identified sites which can be released for sale. Receipts of £1.0m are expected to be realised in later years.
20. The receipt of LSVT VAT shelter receipts from Trafford Housing Trust ceases in 2014/15 and the majority has now been applied to schemes in the 2014/15 capital programme. There is however a small balance of £600k remaining and this is to be applied to support new projects.
21. Borrowing of £9.3m to support major investment in LED street lighting is included in the current capital programme. This is expected to achieve savings in energy and running costs sufficient to repay the borrowing costs and provide for additional savings to the revenue budget. A final decision is still to be taken on this, likely to be in March as part of the Joint Venture procurement process.
22. The table below provides a breakdown of the internal resources available to support to the Capital Programme:

<b>Internal Resources</b>	<b>2015/16</b> £000	<b>2016/17</b> £000	<b>2017/18</b> £000	<b>Total</b> £000
<b>Current Resources</b>				
Capital Receipts	9,829			9,829
Prudential Borrowing	4,700	4,600		9,300
Revenue & Reserves	185			185
<b>Total current resources</b>	<b>14,714</b>	<b>4,600</b>		<b>19,314</b>
<b>New Resources</b>				
Capital Receipts (para 19)			2,500	2,500
LSVT VAT Income	600			600
Revenue & Reserves	33	10	10	53
<b>Total new resources</b>	<b>633</b>	<b>10</b>	<b>2,510</b>	<b>3,153</b>
<b>Total Internal Resources</b>	<b>15,347</b>	<b>4,610</b>	<b>2,510</b>	<b>22,467</b>



23. The overall resources available for investment totals £79.2m as summarised below. The vast majority of which is already committed to schemes or ring-fenced for specific use.

<b>Total Resource Availability</b>	<b>2015/16</b> £000	<b>2016/17</b> £000	<b>2017/18</b> £000	<b>Total</b> £000
<b>External Resources</b>				
Capital Grants	23,344	11,708	9,838	44,890
External Contributions	5,792	4,100	2,000	11,892
<b>Sub-total</b>	<b>29,136</b>	<b>15,808</b>	<b>11,838</b>	<b>56,782</b>
<b>Internal Resources</b>				
Capital Receipts	9,829		2,500	12,329
Prudential Borrowing	4,700	4,600		9,300
LSVT VAT Income	600			600
Revenue & Reserves	218	10	10	238
<b>Sub-total</b>	<b>15,347</b>	<b>4,610</b>	<b>2,510</b>	<b>22,467</b>
<b>Total Resources</b>	<b>44,483</b>	<b>20,418</b>	<b>14,348</b>	<b>79,249</b>

## NEW START PROPOSALS

24. It is important to ensure scarce capital resources are used to support capital schemes that make a major contribution to ensuring the Council's assets are suitable for delivering future priorities, improving service delivery and generating revenue savings. These resources are allocated in accordance with the prioritisation process included in the Council's Capital Strategy which gives priority to:-

- Schemes of a mandatory nature e.g. health & safety;
- Invest to Save
- Supporting the Asset Base (backlog maintenance)
- Council priorities
- Other remaining projects

25. There are a number of budgets included in the current 2015/16 and 2016/17 programme, resourced internally, that have yet to be committed to specific projects (see appendix 1). These resources totalling £5.8m could be redirected in support of new priorities and have been reviewed in light of new bids coming forward, requirements for the 2017/18 programme and estimates of the level of future resources. Details are included below :

<b>Amount Available to Support New Projects</b>	<b>Total</b>
	<b>£000</b>
Capital Receipts Surplus (see para 17)	899
Set aside to offset the cost of Sale PFI (3 years)	(609)
Add resources supporting schemes not yet committed (appendix 1)	5,775
Add income from LAMS & Old Trafford Masterplan (see para 19)	2,500
LSVT VAT Receipts (see para 20)	600
<b>Total Available</b>	<b>9,165</b>

26. The value of new bids to be financed from internal resources is £9.6m which are summarised below. Appendix 1 provides a breakdown of the current internally funded schemes and a proposal of the budgets for inclusion in the 2015/18 Capital Programme.

<b>Summary of New Start Proposals 2015/18</b>	<b>Total</b>
	<b>£000</b>
Schemes of a mandatory nature	3,000
Invest to save schemes	0
Schemes that protect the asset base	3,700
Council Priorities	2,858
Other Priorities	90
<b>Total</b>	<b>9,648</b>

27. The capital bids summarised above and detailed in Appendix 1 exceed the resources available by £0.5m but on the basis that the Land sales Programme beyond 2015-16 has not yet been determined this is a position that is low risk and will be kept under review during the normal monitoring cycle.

## 2015/18 INDICATIVE PROGRAMME

28. The value of the indicative three year Capital Programme is £79.7m and is detailed in Appendix 2 with a summary shown in the table below. At this stage the figures for 2015/16 are known in detail, whereas the resource position for 2016/17 and 2017/18 is less certain, which means that the programme we are aware of for those two years is at a lower level than in 2015/16, but may increase as additional resources are confirmed.

<b>Capital Programme 2015/18 : Analysis by Priority</b>	<b>Budget 2015/16</b>	<b>Budget 2016/17</b>	<b>Budget 2017/18</b>	<b>Budget Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Protecting the Asset Base	1,962	1,600	925	4,487
Supporting Service Provision	18,645	7,384	7,079	33,108
Supporting the Local Economy	6,781	4,650	1,750	13,181
Investing in New Technology	1,108			1,108
Investing in Major Infrastructure	13,345	9,934	4,569	27,848
<b>Total Investment</b>	<b>41,841</b>	<b>23,568</b>	<b>14,323</b>	<b>79,732</b>

**Protecting the Asset Base** – This includes investment in public buildings and infrastructure which is crucial in ensuring much needed facilities, used by the public, are kept open as lack of investment will lead to health and safety issues and potential closures.

**Supporting Service Provision** – This predominantly relates to the continuation of investment in school buildings including a programme that will create 1,750 additional school places across the Borough to address the shortage of primary school places as well as addressing priority condition needs.

**Supporting the Local Economy** – Includes major investment in the Borough's town centres

**Investing in New Technology** – This investment will support the completion of a number of corporate improvements. Also investment in Telecare products which monitor people at risk in their own homes, improving their safety and helping them to stay independent and healthy for longer.

**Investing in Major Infrastructure** – This investment includes improvements to 65km of carriageway, 66km of footways, 750 new street lighting columns and replacement of all luminaires, major bridge refurbishments and junction improvements.

## **FURTHER POSSIBLE CALLS ON THE CAPITAL PROGRAMME**

29. The Council is nearing the conclusion of its Joint Venture procurement exercise for “street scene” activities, property management and technical services. Some of the tenderers have indicated that additional savings may be possible if the Council was prepared to use its borrowing powers to secure lower rates of interest. These options will not be taken in account in the award of the contract(s) but may be the subject of further negotiations following the award of the contract. If it is considered to be of financial benefit to the Council then this would be the subject of a further report.
30. There are active discussions with Trafford Community Leisure Trust and the annual fee payable to them. As with all revenue expenditure the Council is exploring how we can reduce the cost of leisure provision and revised arrangements could involve a capital contribution but this will be the subject to a future report.

## **PRUDENTIAL INDICATORS**

31. The Council is required to set indicators that are designed to support and record decisions taken on affordability and sustainability. There is also a requirement to impose *limits* on the Council’s treasury management activities to ensure decisions are made in accordance with professional good practice and risks are appropriate (These are included in the Treasury Management Strategy Report). The Director of Finance will monitor these and report on them at appropriate times. The Council can revise these indicators and limits at any time.
32. All the indicators take account of the proposals in this report and a list of Prudential Indicators is included at Appendix 3.

## **RECOMMENDATIONS**

33. That the Executive:-
- approve the Capital Programme as detailed in the report.
  - recommend the Council approve the Capital Programme in the sum of £79.7m for the period 2015-18.
  - recommend the Council approve the Prudential Indicators.

**Other Options**

The Executive could decide to use capital receipts to repay debt which would generate revenue savings on the Medium Term Financial Plan. Based on the level of receipts available this could save approximately £825k per annum. However, the proposed application of the capital receipts are to schemes with mandatory requirements or schemes to protect the long-term viability of the Council's assets; enabling efficient and effective service delivery and avoiding potential increases in maintenance costs in future years, the benefits of which are greater than just using the receipts to repay debt.

**Consultation**

Consultation has taken place with budget holders, responsible officers and professional services to ascertain the new projects to be put forward for inclusion in the Capital Investment Programme for 2015/18.

**Reasons for the Recommendation**

The Authority is regularly assessed on the performance of its Capital Programme and how delivery matches corporate policies and proposed spending plans. To reflect budgets in line with revised expectations will assist in evidencing that compliance with the above is being met.

**Finance Officer Clearance** (type in initials) .....GB.....

**Legal Officer Clearance** (type in initials) .....JLF.....

**Director of Finance** .....

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

2015/2018 NEW START PROPOSALS									
	CURRENT PROGRAMME					2015/18 PROGRAMME PROPOSALS			
	2015/16	2016/17	2017/18	Total		2015/16	2016/17	2017/18	Total
	£000	£000	£000	£000		£000	£000	£000	£000
Asbestos Management	50	50		100		50	50	50	150
Legionella Control Remedial Works	50	50		100		50	50	50	150
Energy Efficiency & Sustainability Schemes	50	50		100		50	50	25	125
DDA Compliance	100	100		200		100	100	100	300
Mechanical & Electrical Works	200	200		400		200	200	200	600
Public Building Repairs	300	300		600		300	300	300	900
Community Asset Transfer	500			500			500		500
Allotments - Welfare & Security Works	50	50		100		50	50		100
Countryside Infrastructure	75	75		150		75	75		150
Parks Infrastructure		225		225			225	200	425
Assistance to Owner Occupiers	50	50		100		50	50	50	150
Housing Standards / Empty Property Initiatives	100	100		200		100			100
Disabled Facility Grants	1,000	1,000		2,000		1,000	1,000	1,000	3,000
Integrated Transport Schemes	500	500		1,000		500	500	500	1,500
Assistive Technology – Care Support						300			300
Cecil Road, Hale - Residents parking scheme						90			90
GM Broadband Contribution						65			65
<b>ICT Projects :</b>									
Disaster Recovery Firewall						16			16
VMware ESX Memory Capacity Upgrade						25			25
SAP SRM Upgrade						40			40
System Disaster Recovery						102			102
CRM Upgrade & Project Team						660			660
SAP Development						200			200
<b>TOTAL CAPITAL PROGRAMME</b>	<b>3,025</b>	<b>2,750</b>	<b>0</b>	<b>5,775</b>		<b>4,023</b>	<b>3,150</b>	<b>2,475</b>	<b>9,648</b>

<b>2015/2018 INDICATIVE CAPITAL PROGRAMME</b>			
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<b>DESCRIPTION</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Children's</b>			
Basic Need : School Places & Condition Issues	14,067	4,505	4,200
Devolved Formula Capital	894	390	390
Capital Maintenance Grant	2,429	1,929	1,929
Schools Access Initiative Programme	99	0	0
Youth Offending Service – Case Management System	33	10	10
<b>Sub-total</b>	<b>17,522</b>	<b>6,834</b>	<b>6,529</b>
<b>Adults</b>			
Adult Personal Social Care - Community Capacity Grant	527	500	500
Assistive Technology – Care Support	300		
Disabled Facility Grants	1,914	1,750	1,750
<b>Sub-total</b>	<b>2,741</b>	<b>2,250</b>	<b>2,250</b>
<b>Economic Growth, Environment &amp; Infrastructure</b>			
Mechanical & Electrical Works	200	200	200
Asbestos Management	50	50	50
Legionella Control Remedial Works	50	50	50
Energy Efficiency & Sustainability Schemes	50	50	25
DDA Compliance	100	100	100
Public Building Repairs	300	300	300
Community Asset Transfer		500	
Cecil Road, Hale - Residents parking scheme	90		
Altrincham Town Centre – Public Realm	1,700	1,150	
Stretford Town Centre – Public Realm		1,750	
Altrincham : Library / Community Facility	1,984		
Altair Development, Altrincham	998		
Bringing Town Centres Alive	50		
Assistance to Owner Occupiers	50	50	50
Housing Standards / Empty Property Initiatives	246		
Integrated Transport Schemes	500	500	500

	2015/16	2016/17	2017/18
DESCRIPTION	£000	£000	£000
Congestion Performance Works	78		
Altrincham Interchange	150	700	
Bridgewater Way Improvements	213		
Junction Improvement – A56 / Davyhulme Rd East, Stretford	50		
Cycle City Ambition Grant	300		
Trans Pennine Trail – Urmston to Ashton-on-Mersey	140		
Altrincham Town Centre – Cycle Link	535		
Public Transport - S106s Projects	103		
Trafford Park Metrolink - S106 Contribution	3,000	2,000	2,000
Highways Structural Maintenance	2,228	2,134	2,069
Street Lighting – LED Programme	4,694	4,600	
Bridge Assessments & Strengthening	99		
A56 / West Timperley - Improvements	1,255		
Additional Burial Land	300		
Altrincham Crematorium - Cremators	150		
Parks Infrastructure	404	225	200
Countryside Infrastructure	75	75	
Allotments - Welfare & Security Works	50	50	
Parks, Open Space & RRF - S.106 Projects	143		
<b>Sub-total</b>	<b>20,335</b>	<b>14,484</b>	<b>5,544</b>
<b>Transformation &amp; Resources</b>			
Timperley Sports Club – Artificial Pitch	135		
Greater Manchester Broadband Contribution	65		
CRM Upgrade & Project Team	660		
SAP Development	200		
System Disaster Recovery	102		
Disaster Recovery Firewall	16		
SAP SRM Upgrade	40		
VMWare EXS Memory Capacity Upgrade	25		
<b>Sub-total</b>	<b>1,243</b>		
<b>TOTAL</b>	<b>41,841</b>	<b>23,568</b>	<b>14,323</b>

## Prudential Indicators – Estimates 2015/18

Capital Prudential Indicators	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate
<b>Capital Expenditure</b>	<b>42.9</b>	<b>41.8</b>	<b>23.6</b>	<b>14.3</b>
<b>Capital expenditure</b> - the table above shows the estimated capital expenditure to be incurred for 2014/15 and the following three years.				
<b>Capital Financing Requirement as at 31 March</b>	<b>139.7</b>	<b>138.4</b>	<b>138.3</b>	<b>133.6</b>
<b>Capital Financing Requirement (CFR)</b> - 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).				
<b>Financing Cost to Net Revenue Stream</b>	<b>7.0%</b>	<b>7.3%</b>	<b>7.1%</b>	<b>7.0%</b>
<b>Financing costs to net revenue stream</b> - 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.				
<b>Incremental Impact on Band D Council Tax (£)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Incremental impact on band D council tax</b> – reflects the incremental impact on the Council Tax arising from new borrowing undertaken in order to finance the capital investment decisions taken by the Council during the budget cycle. The figures above, reflects the movement away from borrowing to grant funding for future years spend.				

All the prudential indicators are monitored on a regular basis. If the situation arises that any of the prudential indicators appear that they will be breached for a sustained period, then this will be reported to the Council at the earliest opportunity.



## TRAFFORD COUNCIL

**Report to:** Accounts & Audit Committee 10 February 2015  
Executive & Council Meetings 18 February 2015  
**Report for:** Decision  
**Report of:** The Executive Member for Finance and Director of Finance

### Report Title

**TREASURY MANAGEMENT STRATEGY 2015/16 – 2017/18**

### Summary

This report outlines the:-

- strategy to be followed during this period for investments and borrowing,
- outlook for interest rates,
- management of associated risks,
- policy to be adopted on Minimum Revenue Provision and
- Prudential Indicators for 2015/16 – 2017/18.

### Recommendations

That the Accounts & Audit Committee & Executive recommend to Council for approval the:

- policy on debt strategy for 2015/16 to 2017/18 as set out in section 3;
- investment strategy for 2015/16 to 2017/18 and amendments to the credit criteria as set out in section 5;
- Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), Operational Boundary, Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

Contact person for access to background papers and further information:

Name: Graham Perkins  
Extension: 4017

Background papers: None

Relationship to Policy Framework / Corporate Priorities	Value for Money
Financial	The treasury management strategy will aim to maximise investment interest and reduce interest payable on debt, whilst minimising the risk to the Council.
Legal Implications:	Actions being taken are in accordance with legislation, CLG Guidance, CIPFA Prudential Code and CIPFA Treasury Management Code of Practice.
Equality/Diversity Implications	Not applicable
Sustainability Implications	Not applicable
Resources Implications e.g. Staffing/ICT/Assets	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the treasury management systems and procedures which are independently tested on a regular basis. The Council's in-house treasury management team continually monitor to ensure that the main risks associated with this function of adverse or unforeseen fluctuations in interest rates are avoided and security of capital sums are maintained at all times.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

## **Treasury Management Strategy 2015/16 - 2017/18– Summary of Key Points**

This report outlines the expected treasury activities for the forthcoming three years and has been prepared in accordance with the Council's Financial Procedure Rules. Additional treasury management reports are produced during the course of the year reporting actual activity for the preceding year and a Mid-year update.

### **Economic situation (Appendix 2)**

The global economic recovery which commenced in the second half of 2013, did not continue as forecasted during 2014 with only the UK and US showing any continuing positive signs of growth.

Main economic headlines were:

- UK reported positive growth throughout 2014 with unemployment falling from 2.1m April 2014 (6.6%) to 1.96m September 2014 (6.0%);
- The Eurozone continues to give cause for concern with increasing risk of deflation and weak growth;
- US sustained its recovery despite posting depressed quarter1 growth figures as a result of exceptional bad weather and
- Japan returned negative growth in quarter2 which the Japanese Government is hoping is only a temporary blip.

### **Debt (Section 3)**

In line with previous years practice, no external loans are planned to be taken to finance the Council's capital investment requirement apart from those required for the proposed L.E.D. Street Lighting scheme if this is progressed following the Joint Venture procurement process. As a consequence of this action, the internal borrowing position (i.e. cash backed reserves, balances and cash flow being used rather than taking on new debt) will be at £44.7m by 31 March 2015 and generate a saving in loan interest payable of £1.3m. This approach, which has been adopted by the majority of councils, reduces both the risks associated with investment counterparties and the large difference between debt costs and investment returns.

Debt restructuring exercises will only be undertaken in order to produce revenue savings or lower overall treasury risk.

### **Investments (See Section 5 and Appendix 3)**

The primary principles governing the Council's investment criteria remains unchanged from that previously adopted of security of capital first, liquidity of its cash flows and finally yield.

The Council is required to agree the lending criteria, which is primarily determined by credit ratings issued by all 3 major credit rating agencies as detailed at Appendix 3. *The only recommended change to that previously agreed by Council in February 2014 relates to the Rating Agencies decision to review the Viability and Financial Strength ratings and it is requested that these are removed from the Council's minimum credit criteria.*

*The removal of these 2 rating indicators will not affect the creditworthiness of any of the institutions included on the Council's lending list.*

### **Prudential Indicators and limits (Section 7 and Appendix 3)**

The Council is required to approve a set of Prudential Indicators and limits which ensure the Council's capital expenditure plans and borrowing remain robust, prudent, affordable and sustainable. These are detailed at Appendix 3 for Member approval.

Please note a glossary of all abbreviations appears at Appendix 7 for reference.

## 1. Background

- 1.1 The main task of the treasury management function is to ensure that adequate cash is available to meet the Council's cash flow requirements together with the management of its long and short term loans. Temporary surplus monies which become available during the year resulting from the receipt of funding ahead of requirement are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity before considering investment return.
- 1.2 Another function of the treasury management service is to arrange the funding of the Council's capital investment programme. This is longer term cash flow planning to ensure the Council can meet its capital spending obligations and may involve arranging long or short term loans.
- 1.3 All transactions undertaken as part of the treasury management operation comply with all the statutory requirements together with the CLG Guidance, CIPFA Treasury Management Code of Practice which the Council has adopted and a brief outline of these has been provided at Appendix 1.
- 1.4 Each year in order to comply with the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code), the Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals as follow;
  - Annual treasury strategy for the year ahead (February i.e. this report)
  - Mid-year update report (November)
  - Annual report on the activity undertaken compared to the strategy (June).
- 1.5 The Council uses Capita Asset Services as its treasury management advisors who provide a range of services on all treasury matters from the supply of credit ratings to technical support and this service is subject to regular review.
- 1.6 Whilst the advisors provide support to the internal treasury management team, the Council recognises that the final decision on all treasury management matters remains with the organisation at all times.
- 1.7 The Council recognises the importance of ensuring that all Members and staff involved in the treasury management function receive adequate training and are fully equipped to undertake the duties and responsibilities allocated to them by ensuring that;
  - Members will continue to have access to training which will be relevant to their needs & responsibilities and
  - Officers will attend courses / seminars presented by CIPFA, LGC, Advisors & any other suitable professional organisation, in accordance with Council policy on this issue.
- 1.8 Excluded from this report are the activities carried out by the Council's schools, which operate within a separate criteria as stipulated by the Director of Finance and in accordance with the Council's Financial Procedure Rules.

## 2. Economic & Interest Rate forecast

- 2.1 The Worldwide economic situation, despite showing signs in late 2013 of recovering, continues to remain in a fragile condition with only the UK and US reporting positive signs of a recovery in 2014.
- 2.2 Further details on the major economic events which occurred in 2014 and forecasts for 2015/16 are outlined at Appendix 2 for reference.
- 2.3 Capita, the Council's external treasury management advisors, has produced a set of interest rate forecasts up to March 2018 and these are highlighted in the table below;

Annual Average	Bank Rate (%)	Investment Rates (%)		Borrowing Rates (%)	
		3 month LIBID	1 year LIBID	5 year	25 year
2014/15	0.50	0.50	0.90	2.10	3.35
2015/16	0.63	0.70	1.20	2.40	3.75
2016/17	1.12	1.23	1.70	3.00	4.35
2017/18	1.75	1.83	2.33	3.45	4.70

- 2.4 The Council's advisors have stated that the economic situation and outlook is uncertain and as a result of this the Council will therefore continue to take a cautious approach to its treasury strategy during this period.

## 3. Debt Strategy 2015/16 – 2017/18

- 3.1 The Council has the powers to borrow new funds from either the Public Works Loan Board, part of the Government's Debt Management Office, or from the money market providing it is to assist cash flow in the short term or finance capital investment over the longer term.
- 3.2 The Council currently maintains an under-borrowed position resulting from the decisions not to finance capital spending from new external loans. Instead cash supporting the Council's reserves, balances and cash flow has been used to finance this requirement and this approach continues to be widely adopted by councils as a result of low investment returns and investment institution risk.
- 3.3 The table below shows the actual external debt levels against the underlying capital borrowing need (the Capital Financing Requirement - CFR) highlighting the Council's under-borrowing position.

	2014/15	2015/16	2016/17	2017/18
	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Debt at 1 April	97,417	94,992	97,922	98,775
Debt maturing	(2,425)	(1,770)	(3,747)	(2,684)
New Debt	0	4,700	4,600	0
Debt at 31 March	94,992	97,922	98,775	96,091
Capital Financing Requirement at 31 March	139,721	138,389	138,325	133,596
Under borrow at 31 March	44,729	40,467	39,550	37,505

- 3.4 In the current economic climate of investment rates being below long term borrowing rates, the existing strategy of not undertaking any borrowing to replace the funds previously used, totalling £44.7m as at 31 March 2015, is proposed in the main to continue saving the Council £1.3m in loan interest payable (£44.7m x 3.0%).
- 3.5 It is currently forecasted any new borrowing will only be taken, commencing in 2015/16, regarding the Council's L.E.D. street lighting replacement programme totalling £9.3m if Members approve the implementation of this scheme. These loans will be taken in line with forecasted spend profile for this scheme with all debt costs being met from savings generated from reduced maintenance and energy costs.
- 3.6 In addition to the borrowing undertaken directly, the Council is also responsible for a further £0.9m which is administered by Tameside Borough Council. This follows the conversion in February 2010 of loans previously held on behalf of Manchester International Airport into an equity rated instrument.
- 3.7 As short term borrowing rates will be cheaper than longer term fixed interest rates, there may be potential opportunities in the future to generate revenue savings by switching from long term debt to short term debt. However the cost of premiums incurred, due to early repayment, will also need to be taken into account before any restructuring is undertaken.
- 3.8 The Council retains the flexibility to borrow funds in advance of requirement should market conditions unexpectedly change i.e. anticipate a sharp rise in interest rates, however funds will not be taken purely in order to profit from investment of the extra sums borrowed. This course of action will be done in accordance with the Director of Finance's delegated powers and reported to Members through either the mid-year or annual reporting mechanism.
- 3.9 Any borrowing undertaken in this way by The Director of Finance will be done within the constraints stated below;
- no more than 50% of the expected increase in borrowing need (CFR) over the three year planning period is to be taken in this manner and
  - borrowing only up to a maximum 12 months in advance of need.
- 3.10 A breakdown of the Council's expected debt maturity profile as at 31 March 2015 is provided at Appendix 4 for reference which also shows, in accordance with the Code of Practice, the potential first date the lending banks could amend the rate of interest for the market loans.
- 3.11 The Council is required to approve;
- the above debt strategy and
  - as part of the Prudential Indicators and Limits requirement, the limits for external debt in accordance with the Local Government Act 2003, having regard for CIPFA's prudential code before the commencement of each financial year. These limits are detailed at Appendix 3 for Council approval.

#### **4. Minimum Revenue Provision Strategy**

- 4.1 The Council is required to set aside an amount each year for the repayment of debt (by reducing the CFR), through a revenue charge called the Minimum Revenue Provision (MRP). In addition, the Council is also allowed to undertake voluntary revenue payments (VRP).

4.2 The Council is required, in accordance with C.L.G. regulations, to approve an MRP Policy in advance of each year and for which a variety of options are provided to councils so long as there is a prudent provision. The Council as part of the Prudential Indicators and Limits requirement is requested to approve the MRP statement as detailed at Appendix 3.

## **5. Investment Strategy**

5.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments and the revised CIPFA Treasury Management in Public Services Code of Practice.

5.2 The Council's investment criteria remains as that of previous years i.e. security of capital first, liquidity of its investments and then yield.

5.3 In order to ensure that investments are only placed with strong creditworthy institutions, the Council creates a counterparty list based on credit ratings issued by all three of the main rating agencies (Fitch, Moody's and Standard and Poor's) and uses the lowest common denominator approach which defaults to the lowest equivalent rating. For instance if an institution whose rating issued by one of the credit rating agencies does not meet the minimum criteria stipulated, it will not be included in the approved list of institutions to whom the Council can lend monies to.

5.4 This approach uses real time credit rating information provided by the Council's advisers Capita and enables an institution to be included on this list, using the latest ratings.

5.5 Any institution featuring on the Council's approved list which incurs a negative rating change taking it below the minimum credit criteria required, will immediately be suspended from use and removed from the authorised list.

5.6 Whilst investment risk cannot entirely be eliminated it can be minimised and in order to reduce the risk of an institution defaulting, the Director of Finance has previously recommended the minimum acceptable credit quality for inclusion on the Council's lending list be as follows;

- Short Term – Fitch F1 or equivalent
- Long Term – Fitch A- or equivalent
- Viability / Financial Strength – C (Fitch / Moody's only)
- Support – 3 (Fitch only).

5.7 During the financial crisis, the credit rating agencies provided some institutions with a ratings "uplift" due to implied levels of sovereign support. In response to a recent review of this situation by the agencies, they have announced that these "uplifts" in ratings are now to be removed as a result of sovereign governments moving away from a bail out role. Whilst the actual timing of this change is still currently unknown, it is anticipated that this could occur shortly therefore changes to the credit methodology are required.

5.8 Both Fitch and Moody's provide "standalone" credit ratings for financial institutions; for Fitch, it is the Viability Rating, while Moody's has the Financial Strength Rating. Due to the pending removal of the sovereign support element currently built into each institution assessment, both agencies have suggested that those ratings would duplicate their respective Long Term ratings thereby removing the need for these separate standalone ratings.

5.9 As a result of these pending changes, it is the Council's proposal that the credit criteria will focus solely on the Short and Long Term ratings of an institution at the

minimum levels outlined at paragraph 5.6, with Rating Watch's and Outlook information continuing to be assessed where it relates to these categories.

- 5.10 *It is important to stress that the rating agency amendments do not reflect changes in the underlying status of the institution, merely the removal of that element which has previously been built into the rating for implied Government support. The removal of these 2 elements of credit methodology will not in any way devalue the credit worthiness of any of the institutions the Council uses for the placement of its funds.*
- 5.11 A full explanation of the credit ratings determining the institutions which the Council will use can be found at Appendix 5.
- 5.12 The criteria for choosing institutions as set out in more detail at Appendix 3 provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria, the Director of Finance may temporarily restrict further investment activity to those institutions considered of higher credit quality than the minimum criteria set out for approval should any exceptional market conditions be encountered. These restrictions would remain in place until the banking system returned to "normal" conditions. Similarly the time periods for investments may be restricted.
- 5.13 The Council officers further recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor each institution taking into account market opinions, financial press, equity & credit default swap prices. This additional market information is detailed for Members' reference at Appendix 5.
- 5.14 Further to the Council's list of high quality investment institutions, additional factors will also be used in order to reduce any potential exposure of its investments including how much in total can be placed in non-UK institutions, Groups and Sectors and these are explained in more detail at Appendix 5 together with time and value limits.
- 5.15 Investments will continue to be placed into three categories as follows;
- Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period with bank call accounts, money market funds and certificates of deposits being the main methods used for this purpose.
  - Medium-term – cash required to manage the annual seasonal cash flow cycle covering the next 12 months and will generally be in the form of fixed term deposits and enhanced money market funds.
  - Long-term – cash not required to meet any forthcoming cash flow requirements which can be used primarily to generate investment income by using fixed or structured term deposits, certificates of deposits or government bonds, after taking into consideration the forecasted interest rate yield curve.
- 5.16 The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded and will be limited to the Prudential Indicator detailed at Appendix 3.
- 5.17 A breakdown of the Council's investments as at 31 December 2014 is provided for reference at Appendix 6.



- 5.18 The Council is requested to approve;
- the above Investment strategy to be adopted and
  - the minimum criteria for providing a list of high quality investment institutions, instruments and limits to be applied are highlighted at Appendix 3.

## 6. Investment Risk Benchmarking

6.1 The Code of Practice and CLG Investment Guidance require that appropriate security and liquidity benchmarks are considered and reported to Members and these are explained in more detail in Appendix 5.

6.2 These benchmarks are simple guides to maximum risk (not limits) and so may be breached from time to time, depending on movements in interest rates and institution criteria. Their purpose is to assist officers to monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported to Members, with supporting reasons in the Mid-Year or Annual Report. For reference these benchmarks will be;

- Security - for each individual year the security benchmark when compared to historic default rates are not to exceed:

1 year investments	2 year investments	3 year investments
0.09%	0.04%	0.14%

- Liquidity - In respect of this the Council seeks to maintain;
  - Bank overdraft of £0.5m;
  - Weighted Average Life (WAL) benchmark for 2015/16 is set at 6 months, with a maximum of 3 years;
  - Liquid short term deposits of at least £15m are available with a week's notice
- Yield benchmarks are currently used to assess investment performance and internal returns are required to achieve above the 7 day LIBID rate.

## 7. Prudential Indicators

7.1 A number of prudential indicators have been devised for both the treasury management and capital operations. These are designed to assist managing risk and reducing the impact of an adverse movement in interest rate as well as ensuring that the Council's capital expenditure plans are prudent, affordable and sustainable. These indicators have been set in order that they are not too restrictive thereby impairing the opportunities to reduce costs and reflect the capital programme proposals, included within the main budget report.

7.2 Members are requested to approve the Prudential Indicators for Council's treasury management activities as detailed at Appendix 3.

## 8. Recommendations

That the Accounts & Audit Committee and Executive recommend to Council the key elements of this report for approval;-

- the policy on debt strategy for 2015/16 to 2017/18 as set out in section 3;
- the investment strategy for 2015/16 to 2017/18 as set out in section 5;
- the Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), The Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

### Other Options

This report has been produced in order to comply with Financial Procedure Rules and relevant legislation. It provides a plan of action for the period 2015/16 to 2017/18, which is flexible enough to take account of changes in financial markets.

### Consultation

Advice has been obtained from Capita, the Council's external advisors.

### Reasons for Recommendation

The Financial Procedure Rules, incorporating the requirements of the revised CIPFA Prudential Code and the CIPFA Treasury Management Code. These consider that the annual strategy report is an essential control over treasury management activities whereby Members approve the parameters under which officers will operate. In addition The Local Government Act 2003 requires that the Council approves an annual borrowing limit (the Authorised Limit) and CLG Guidance an annual investment strategy (setting out the limits to investment activities).

### Key Decision

This will be a key decision likely to be taken in: February 2015  
This is a key decision currently on the Forward Plan: Yes

**Finance Officer Clearance** .....GB.....

**Legal Officer Clearance** ... JL.....

**Director of Finance Signature** .....

## STATUTORY FRAMEWORK

### Local Government Act 2003

In accordance with the Local Government Act 2003 (and supporting regulations and guidance) each Council must before the commencement of each financial year, produce a report fulfilling three key requirements as stipulated below;

- The debt strategy in accordance with the CIPFA Code of Practice on Treasury Management (section 3);
- The investment strategy in accordance with the Communities and Local Government (C.L.G.) investment guidance (section 5);
- The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities (Appendix 3).

### CIPFA Code of Practice

The Council's treasury activities are strictly regulated by statutory requirements in conjunction with a professional code of practice (the CIPFA Treasury Management Code of Practice). This Council adopted the Code of Practice on Treasury Management on 24 April 2002 and followed recommended practices by considering an annual Treasury Management Strategy before the commencement of each financial year. These Codes are revised from time to time and the Council complies with any revisions.

CIPFA defines treasury management as *“The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions(debt); the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”*.

### Investment Guidance

CLG. issued Investment Guidance in March 2010, and this forms the structure of the Council's policy below,

- The strategy guidelines for decision making on investments, particularly non-specified investments.
- Specified investments the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.
- The principles to be used to determine the maximum periods for which funds can be committed.

## MAIN ECONOMIC HEADLINES DURING 2014/15

- **UK economy-**
  - Annualised GDP growth of 3.1% was encountered making it the strongest reported rate of growth for any G7 country – this was despite a weakening in the manufacturing sector and exports as a consequence of poor growth in the Eurozone;
  - Consumer Price Index (CPI) fell to 0.5% in December 2014, its lowest level since May 2000;
  - Wage inflation continues to remain significantly below Consumer Price Index Inflation;
  - MPC left both the Bank Rate and Quantitative Easing levels unchanged at 0.5% and £375bn respectively;
  - The level of unemployment benefit claimants fell to 6% in September 2014, its lowest in 5 years and remained at this level in October 2014.
  
- **Eurozone –**
  - Concerns over the economy remain as a result of a downturn in growth, increasing risks of deflation and worries over the Ukraine situation;
  - CPI fell to a low of 0.3% in September 2014 however this is an average for all Eurozone countries and includes some countries with negative rate (deflation);
  - Unemployment rate continues to be a problem at 11.50%;
  - Italy continues to have the third biggest level of debt in the world behind Japan & US;
  - Greece remains vulnerable but continues to make good progress in reducing its annual deficit however this trend is now expected to be modified due to the recent change of government to the anti- austerity party Syriza who wants to renegotiate the terms of its sizeable bailout;
  - European Central Bank reduced its central policy rate from 0.25% to 0.05% and started a programme to purchase corporate debt in September 2014.
  
- **US –**
  - Despite the first quarter GDP figure being depressed by exceptionally bad winter weather, annualised growth is set to be 2.4%;
  - The Federal Reserve left the Bank rate unchanged at 0.25% and ended its monthly asset purchases (QE) in October 2014 signalling that the economic recovery was on track;
  - Unemployment levels fall to 5.8% in November 2014;
  - CPI 1.30% in November 2014.

**Other –**

- China's economy appears to be growing by the target rate of 7.5% following the Government's action to stimulate it;
- Japan's economy is giving cause for concern as negative growth in quarter 2 was reported however the Government is hoping that this is a temporary blip.

**MAIN ECONOMIC FORECASTS FOR 2015/16**

Economic forecasting continues to remain difficult, particularly with many so external influences affecting not only the UK but the Worldwide economy as well and forecasters are currently predicting the following levels of activity;

<b>Indicator</b>	<b>UK</b>	<b>Eurozone</b>	<b>US</b>	<b>China</b>	<b>Japan</b>
<b>Growth Domestic Product</b>	2.7%	1.5%	3.0%	7.1%	1.1%
<b>Consumer Price Index</b>	1.8%	1.1%	2.0%	2.6%	1.6%
<b>Unemployment Rate</b>	5.3%	11.2%	5.9%	7.0%	3.7%
<b>Bank Rate</b>	1.0%	0.1%	2.4%	N/A	0.1%

**ELEMENTS FOR COUNCIL APPROVAL**  
**(including Prudential and Treasury Indicators, Minimum Revenue Provision & Investment Criteria)**

In accordance with CLG Guidance, the CIPFA Prudential Code and the CIPFA Code of Practice on Treasury Management each council is required to set, before the commencement of each financial year, Treasury Management Prudential Indicators and limits, a Minimum Revenue Provision Statement and Investment criteria.

**The Accounts and Audit Committee and Executive are requested to recommend that Council approve these for the period 2015/16 – 2017/18 as detailed below.**

**PRUDENTIAL AND TREASURY INDICATORS AND LIMITS**

In accordance with the CIPFA Prudential code, the Council is required to produce prudential indicators and limits reflecting the expected capital activity regarding its capital investment programme. These have an impact on the Council's treasury management activities and the Council is required to approve the prudential indicators and limits affecting treasury management performance as shown below;

<b>Prudential Indicators</b>	<b>2014/15 estimate £m</b>	<b>2015/16 estimate £m</b>	<b>2016/17 estimate £m</b>	<b>2017/18 estimate £m</b>
<b>(1) Upper Limits – Fixed interest rate exposure</b> (interest costs)	<b>3.2</b>	<b>3.0</b>	<b>2.8</b>	<b>2.4</b>
<b>(2) Upper Limits – Variable interest rate exposure</b> (interest costs)	<b>3.1</b>	<b>3.2</b>	<b>3.2</b>	<b>3.3</b>
<b>Upper Interest Limits</b> – identifies the maximum limit for both fixed and variable interest rates exposure based upon the Council's debt position net of investments (debt interest payable less investment interest receivable).				
<b>(3) Authorised Limit for External debt</b>				
- External debt (01.04)	120	120	120	120
- Other long term Liabilities (PFI)	7	6	6	6
<b>Total</b>	<b>127</b>	<b>126</b>	<b>126</b>	<b>126</b>
<b>Authorised external debt limit</b> - maximum level of external debt that the authority will require to cover all known potential requirements and includes headroom to cover the risk of short-term cash flow variations that could lead to a need for temporary borrowing. This limit needs to be set or revised by Council and is the statutory limit determined under section 3(1) of the Local Government Act 2003.				
<b>(4) Operational Boundary Limit for External debt</b>				
- External debt (01.04)	100	100	100	100
- Other long term Liabilities (PFI)	7	6	6	6
<b>Total</b>	<b>107</b>	<b>106</b>	<b>106</b>	<b>106</b>

<b>Prudential Indicators</b>	<b>2014/15 estimate £m</b>	<b>2015/16 estimate £m</b>	<b>2016/17 estimate £m</b>	<b>2017/18 estimate £m</b>
<b>Operational boundary</b> - 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 excluding any temporary borrowing and is not a limit.				
<b>(5) Upper limit for sums invested over 364 days</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>50</b>
<b>Upper Limit for sums invested for over 364 days</b> – these limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment.				
<b>(6) Gross debt and Capital Financing Requirement</b>				
-External debt (01.04)	100	100	100	100
-Other long term Liabilities (PFI)	7	6	6	6
Gross debt	107	106	106	106
-C.F.R.	140	138	138	134
<b>Excess C.F.R.</b>	<b>33</b>	<b>32</b>	<b>32</b>	<b>28</b>
<b>Gross Debt and the Capital Financing Requirement</b> – this indicator reflects that over the medium term, debt will only be for capital purposes. The Director of Finance will ensure that all external debt does not exceed the capital financing requirement with any exceptions being reported to Council.				

<b>MATURITY STRUCTURE of BORROWING 2015/16 to 2017/18</b>		
	<b>Lower limit %</b>	<b>Upper limit %</b>
Under 12 months	0	70
12 months to 2 years	0	25
2 years to 5 years	0	25
5 years to 10 years	0	25
10 years to 20 years	0	25
20 years to 30 years	0	25
30 years to 40 years	0	25
40 years and above	0	25
<b>Maturity Structure of Borrowing</b> – these gross limits are set to reduce the Council's exposure to large sums falling due for refinancing and this indicator reflects the next date on which the lending bank can amend the interest rate for the Lender Option Borrower Option loans.		

All the prudential and treasury indicators are monitored on a regular basis. If the situation arises that any of the prudential indicators appear that they will be breached for a sustained period, then this will be reported to the Council at the earliest opportunity.

## **MINIMUM REVENUE PROVISION - (no change)**

In accordance with C.L.G. Guidance, the Council shall determine for the current financial year, an amount of minimum revenue provision that it considers to be prudent and submit an MRP Statement setting out its policy for its annual MRP to Council for approval. The following MRP Statement has been prepared in accordance with the Council's accounting procedures as stated in the annual Statement of Accounts publication and is recommended for approval:

- Capital expenditure incurred before 1 April 2008 or which in the future will be supported by external borrowing approvals, the MRP policy will follow the existing practice outlined in former CLG regulations, i.e. 4% of the C.F.R. each year;
- Capital expenditure incurred after 1 April 2008 by prudential borrowing (unsupported), the policy will be based on the estimated life of the assets once operational with MRP charged on a straight line basis or annuity basis in accordance with the Guidance;
- MRP regarding PFI schemes and leases shown on the balance sheet will be based on the amount of the principal lease repayment included within the annual unitary payments made;
- For expenditure that does not create an asset, or following the use of a Capitalisation Direction, provision will be made over a period not exceeding 20 years, in accordance with Guidance.
- In instances where the Council incurs borrowing and a third party is obliged to repay the principal (serviced debt arrangements), then the Council will not charge MRP to the revenue account. An example of such an instance can be demonstrated when the Council participated in the national Local Authority Mortgage Scheme using the cash backed option with Lloyds bank. This involved the Council placing 2 five year deposits totalling £3m, (£2m 2012/13 & £1m 2013/14), with the bank matching the five year life of the indemnities. These deposits provide an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The C.F.R. will increase by the amount of the total indemnity. The deposit is due to be returned in full at maturity and once received will be classed as a capital receipt, and the CFR will reduce accordingly. As this is a temporary (five years) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application.

## **INVESTMENT CRITERIA – (recommended changes as highlighted)**

### Counterparty Selection

The minimum criteria for providing a list of high quality investment counterparties is highlighted in the categories below and these are to be applied for both Specified (maximum period 1Year &) and Non-specified investments (maximum period 3 Years);



	<b>Fitch (or equivalent) – Long Term</b>	<b>Maximum Group Limit</b>	<b>Maximum Time Limit</b>
<p><b>Category 1 –</b> All UK or Non UK banks and building societies domiciled in a non-UK country which has a minimum Sovereign long term rating of AA and individual credit rating issued by Fitch, Moody's and Standard and Poor's of:</p> <ul style="list-style-type: none"> <li>• Short Term – Fitch F1 or equivalent</li> <li>• Long Term – Fitch A- or equivalent</li> <li>• The use of Viability &amp; Financial Strength ratings are no longer to be applied to the criteria following a review by the Rating Agencies of their relevance. See Para 5.7-5.10 for details</li> </ul>	<p>AA- To AAA A- to A+</p>	<p>£20m £5m</p>	<p>3yrs 1yr</p>
<p><b>Category 2 –</b> UK Banks part nationalised - Lloyds Bank and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in category1 above.</p>	-	£20m	1yr (current limit 3yr)
<p><b>Category 3 –</b> The Council's own banker if the bank falls below the above criteria for transactional purposes only.</p>	-	n/a	1day
<p><b>Category 4 –</b></p> <ul style="list-style-type: none"> <li>• Money Market Funds – must be AAA credit rated</li> <li>• Enhanced Money Market Funds – must be AAA credit rated</li> <li>• UK Government (including treasury bills, gilts and the DMO)</li> <li>• Local Authorities</li> <li>• Supranational Institutions</li> <li>• Corporate bonds (Manchester International Airport only)</li> </ul>	-	£20m	3yrs

### **Specified and Non Specified Investments – (no changes)**

In accordance with the Code of Practice, the Council is required to set a criteria which identifies its investments between Specified and Non Specified investments and these are classified as follows;

- Specified investments are high security and high liquidity investments with a maturity of no more than a year or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. A maximum of 100% can be held under this definition,
- Non specified investments are any other type of investment not defined as specified above with the maximum permitted to be held in this classification detailed in Appendix 3 including Manchester Airport Shares at 31 March 2014 of £36.7m and
- Local Authority Mortgage Scheme. Under this scheme, which is designed for first time buyers to be able purchase a property in the area, the Council is required to place funds of £3m with Lloyds bank for a period of 5 years to match the 5 year life of the indemnity. This is classified as being a service investment, rather than a treasury management investment and is therefore outside of the specified / non specified categories.

### Instruments & Maximum period

All Investments will be undertaken in Sterling in the form of Term Deposits, Money Market Funds, Treasury Bills, Gilts or Certificates of Deposits unless otherwise stated below.

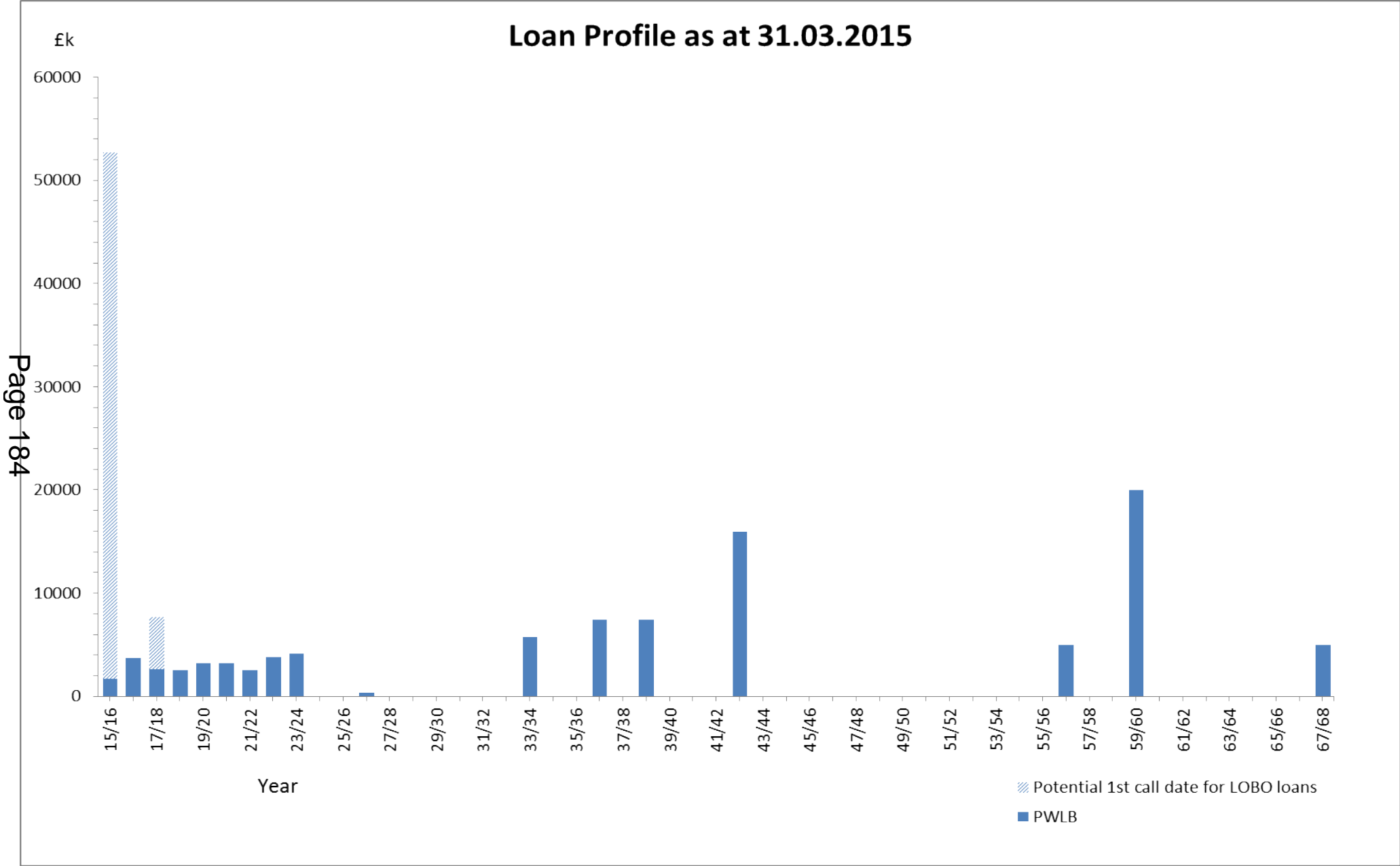
#### Specified Investments

Investment	Maximum Maturity
<b>The UK Government</b> including Local Authorities and Debt Management Office.	1 Year
<b>Supranational bonds</b> of less than one year duration	1 Year
<b>Pooled investment vehicles</b> that have been awarded a AAA credit rating by Fitch, a credit rating agency, such as money market funds	1 Year
<b>An institution</b> that has been awarded a high short term credit rating (minimum F1 or equivalent) by a credit rating agency, such as a bank or building society.	1 Year

#### Non-Specified Investments

Investment	Maximum Maturity
<p><b>Multilateral development bank bonds</b> - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p>The security of interest and principal on maturity is on a par with the Government and so are very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	3 Years

<b>Gilt edged securities</b> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. The value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	3 Years
<b>The Council's own bank</b> if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	1 Day
<b>UK Banks which have significant Government holdings</b>	1 Year
<b>Any bank or building society</b> which meets the minimum long term credit criteria detailed in Appendix 1, for deposits with a maturity of greater than one year.	3 Years
<b>The UK Government</b> including Local Authorities and Debt Management Office.	3 Years
<b>Share capital or loan capital</b> in a body corporate – The use of these instruments maybe deemed to be capital expenditure, and as such maybe an application (spending) of capital resources. It is envisaged this facility will apply to the Manchester Airport share-holding which the Council holds at a historical value of £36.7m as reported in the 2013/14 statement of accounts. It is not envisaged that this type of investment will be undertaken in the future.	Unspecified
<b>Manchester Airport Group</b> – This is in response to the restructuring of the airports existing debt and is included for clarity and transparency purposes only.	Term of loans



**INVESTMENT CREDIT AND INSTITUTION RISK MANAGEMENT**

The Council receives credit rating advice from its treasury management advisers, as and when ratings change and institutions are checked promptly to ensure it complies with the Council’s criteria. The criteria used are such that any minor downgrading should not affect the full receipt of the principal and interest. Any institution failing to meet the criteria, or those on the minimum criteria placed on negative credit watch, will be removed from the list immediately, and if required new institutions which meet the criteria will be added to the list.

Classification	Description	Credit Rating Agency		
		Fitch (Minimum)	Moody’s (Minimum)	Standard & Poors (Minimum)
Short Term	Ensures that an institution is able to meet its financial obligations within 12 months	F1  (Range <b>F1+</b> , <b>F2 A to D</b> )	P1  (Range <b>P1</b> to <b>P3</b> )	A1  (Range <b>A-1</b> , to <b>C</b> )
Long Term	Ensures that an institution is able to meet its financial obligations greater than 12 months	A-  (Range <b>AAA</b> to <b>D</b> )	A3  (Range <b>AAA</b> to <b>C</b> )	A-  (Range <b>AAA</b> to <b>CC</b> )

**Investment Institution information.**

Whilst the Council’s Investment institutions list is prepared primarily using credit rating information, additional market information is also required to also be considered. The information below will continue to be considered when undertaking investments;

- Credit default swaps - CDS created in 1997 and are a financial instrument for swapping the risk of debt default. Essentially the owner of the position would enter into an agreement with a third party who would receive a payment in return for protection against a particular credit event – such as default. Whilst absolute prices can be unreliable, trends in CDS spreads do give an indicator of relative confidence about credit risk.
- Equity prices – like CDS prices, equities are sensitive to a wide array of factors and a decline in share price may not necessarily signal that the institution in question is in difficulty.
- Interest rates being paid - If an institution is offering an interest rate which is out of line with the rest of the market this could indicate that the investment is likely to carry a high risk.
- Information provided by management advisors – this may include some information detailed above together with weekly investment market updates.
- Market & Financial Press information – information obtained from the money market brokers used by the Council in respect of interest rates & institutions will also be considered.

## Investment Limits

In order to safeguard the Council's investments and in addition to the information shown at Appendix 1 due care will be taken to consider country, group and sector exposure as follows;

- **Country** – this will be chosen by the credit rating of the Sovereign state as shown at Appendix 1 and no more than 40% of the Council's total investments will be directly placed with non-UK counterparties at any time;
- **Group** – this will apply where a number of financial institutions are under one ownership (e.g. Royal Bank of Scotland / Nat West) and the Group limit will be the same as the individual limit for any one institution within that group;
- **Sector** limits will be monitored regularly for appropriateness.

## Investment Risk benchmarking

Security and liquidity benchmarks are central to the approved treasury strategy through the institution selection criteria and proposed benchmarks for these are set out below.

**Security** - A method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table below shows average defaults for differing periods of investment grade products for each Fitch/Moody's and Standard and Poors long term rating category over the period 1990 to 2011.

Long term rating	Average 1 yr default	Average 2 yr default	Average 3 yr default	Average 4 yr default	Average 5 yr default
<b>AAA</b>	<b>0.00%</b>	<b>0.02%</b>	<b>0.06%</b>	<b>0.09%</b>	<b>0.13%</b>
<b>AA</b>	<b>0.02%</b>	<b>0.04%</b>	<b>0.14%</b>	<b>0.28%</b>	<b>0.36%</b>
<b>A</b>	<b>0.09%</b>	<b>0.25%</b>	<b>0.43%</b>	<b>0.60%</b>	<b>0.79%</b>
<b>BBB</b>	<b>0.23%</b>	<b>0.65%</b>	<b>1.13%</b>	<b>1.70%</b>	<b>2.22%</b>
<b>BB</b>	<b>0.93%</b>	<b>2.47%</b>	<b>4.21%</b>	<b>5.81%</b>	<b>7.05%</b>
<b>B</b>	<b>3.31%</b>	<b>7.89%</b>	<b>12.14%</b>	<b>15.50%</b>	<b>17.73%</b>
<b>C</b>	<b>23.15%</b>	<b>32.88%</b>	<b>39.50%</b>	<b>42.58%</b>	<b>45.48%</b>

The Council's minimum long term rating criteria is currently "A", meaning the average expectation of default for a one year investment in an institution with a "A" long term rating would be 0.09% of the total investment (e.g. for a £1m investment the average loss would be £900). This is only an average as any specific institution loss is likely to be higher.

**Liquidity** – The CIPFA Treasury Management Code of Practice defines this as "*having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable at all times to have the level of funds available which are necessary for the achievement of its business/service objectives*".

The availability of liquidity and the period of risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio (shorter WAL would generally represent less risk).

## INVESTMENT &amp; EXTERNAL DEBT PORTFOLIO AS AT 31.01.2015

	Principal £m	Average Rate %
<b>DEBT</b>		
<b>Fixed rate:</b>		
- PWLB	39.2	6.99
- Market	5.0	4.41
<b>Sub-total</b>	<b>44.2</b>	<b>6.69</b>
<b>Variable rate:</b>		
- PWLB	0.0	0.0
- Market	51.0	5.47
<b>Sub-total</b>	<b>51.0</b>	<b>5.47</b>
<b>Total debt</b>	<b>95.2</b>	<b>6.03</b>
<b>INVESTMENTS</b>		
- Fixed rate	(40.1)	0.88
- Variable rate	(29.4)	0.49
<b>Total Investments</b>	<b>(69.5)</b>	<b>0.74</b>
<b>NET ACTUAL DEBT</b>	<b>25.7</b>	

**GLOSSARY of ABBREVIATIONS**

CDS	Credit Default Swaps – financial instrument for hedging against counterparty default
CLG	Communities & Local Government (Department of)
CIPFA	Chartered Institute of Public Finance & Accountancy
CFR	Capital Financing Requirement – this is a measure of the council’s borrowing needs in order to finance its capital investment programme.
DMO	Debt Management Office – low credit risk UK Government investment Counterparty which offers low rates of return
LGC	Local Government Chronicle
LIBID	London Interbank BID interest rate – average rate of interest offered by the UK clearing banks
MRP	Minimum Revenue Provision – this is the amount required to pay off an element of the capital spend each year through a revenue charge
PFI	Private Finance Initiative – private sector source of funding
PWLB	Public Works Loan Board
VRP	Voluntary Revenue Provision – identical to MRP but on a voluntary basis
WAL	Weighted Average Life – benchmark indicating average life of investments