



**TRAFFORD
COUNCIL**

**AGENDA PAPERS FOR
BUDGET EXECUTIVE MEETING**

Date: Wednesday, 20 February 2019

Time: 6.00 p.m.

**Place: Committee Room 2 and 3, Trafford Town Hall, Talbot Road, Stretford,
M32 0TH.**

A G E N D A

PART I

Pages

1. ATTENDANCES

To note attendances, including officers, and any apologies for absence.

2. QUESTIONS FROM MEMBERS OF THE PUBLIC

A maximum of 15 minutes will be allocated to public questions submitted in writing to Democratic Services (democratic.services@trafford.gov.uk) by 4 p.m. on the working day prior to the meeting. Questions must be relevant to items appearing on the agenda and will be submitted in the order in which they were received.

3. DECLARATIONS OF INTEREST

Members to give notice of any interest and the nature of that interest relating to any item on the agenda in accordance with the adopted Code of Conduct.

4. EXECUTIVE'S RECOMMENDATIONS TO THE COUNCIL ON THE BUDGET FOR 2019/20

To consider decisions / recommendations to Budget Council, as follows:

(a) EXECUTIVE'S REVENUE BUDGET PROPOSALS 2019/20 & MTFS 2020/21 - 2021/22 (Pages 1 - 82) 1 - 82

To consider a report of the Executive Member for Finance and the Corporate Director Finance and Systems.

- (b) **CAPITAL STRATEGY, CAPITAL PROGRAMME AND PRUDENTIAL & LOCAL INDICATORS 2019/22** (Pages 83 - 122) 83 - 122
To consider a report of the Executive Member for Finance and the Corporate Director Finance and Systems.
- (c) **TREASURY MANAGEMENT STRATEGY 2019/20 - 2021/22** (Pages 123 - 154) 123 - 154
To consider a report of the Executive Member for Finance and the Corporate Director Finance and Systems.
- (d) **FEES, CHARGES & ALLOWANCES 2019/20** (Pages 155 - 162) 155 - 162
To consider a report of the Executive Member for Finance and the Corporate Director Finance and Systems.
NOTE: The full Fees and Charges Book will not be circulated with the agenda, but will be made available on the Council's website.
- (e) **EXECUTIVE'S RESPONSE TO SCRUTINY COMMITTEE'S RECOMMENDATIONS TO THE BUDGET PROPOSALS FOR 2019/20** (Pages 163 - 168) 163 - 168
To consider a report of the Executive Member for Finance and the Corporate Director Finance and Systems.
5. **FAIR PRICE FOR CARE FOR OLDER PEOPLE'S RESIDENTIAL AND NURSING HOMES 2019-2020** 169 - 180
To consider a report of the Executive Member for Adult Social Care.
6. **FAIR PRICE FOR CARE ANNUAL UPLIFT TO THE HOURLY RATE PAID TO PROVIDERS TO DELIVER HOMECARE IN TRAFFORD IN 2019/20** 181 - 196
To consider a report of the Executive Member for Adult Social Care.
7. **URGENT BUSINESS (IF ANY)**

Any other item or items which by reason of:-

- (a) Regulation 11 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the Chairman of the meeting, with the agreement of the relevant Overview and Scrutiny Committee Chairman, is of the opinion should be considered at this meeting as a matter of urgency as it relates to a key decision; or
- (b) 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.

8. EXCLUSION RESOLUTION

Motion (Which may be amended as Members think fit):

That the public be excluded from this meeting during consideration of the remaining items on the agenda, because of the likelihood of disclosure of "exempt information" which falls within one or more descriptive category or categories of the Local Government Act 1972, Schedule 12A, as amended by The Local Government (Access to Information) (Variation) Order 2006, and specified on the agenda item or report relating to each such item respectively.

JIM TAYLOR
Interim Chief Executive

COUNCILLOR ANDREW WESTERN
Leader of the Council

Membership of the Committee

Councillors A. Western (Chair), C. Hynes (Deputy Leader), S. Adshead, J. Baugh, M. Cordingley, M. Freeman, J. Harding, J. Lloyd, K. Procter and J.A. Wright

Further Information

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

Jo Maloney, 0161 912 4298
Email: joseph.maloney@trafford.gov.uk

This agenda was issued on Tuesday 12th February 2019 by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH.

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TRAFFORD BOROUGH COUNCIL

Report to: Executive and Council
Date: 20 February 2019
Report for: Decision
Report of: Executive Member for Finance and the Corporate
Director of Finance and Systems

Report Title

Executive's Revenue Budget Proposals 2019/20 & MTFS 2020/21 - 2021/22

Summary

This report sets out the Executive's updated 3 year budget strategy proposals and detailed revenue budget proposals for 2019/20 and Medium Term Financial Strategy (MTFS) for the period 2020/21-2021/22.

The key summary of figures for the revenue budget are:

- The overall budget movement for 2019/20 is an increase in the net budget of £5.69 million or 3.46%, from £164.25 million to £169.94 million.
- The budget funding gap for the three years before applying these proposals is now estimated to be £45.88 million comprising:
 - £34.18 million of additional cost pressures
 - £11.70 million of reductions to funding
- The proposals contained in the report close the 2019/20 budget gap of £13.44 million via a mixture of measures:
 - Additional funding of £3.78 million and use of reserves £2.80 million
 - Income generation £3.28 million
 - Transformational service delivery savings £3.58 million
- It should be noted that if all the proposals in this report are implemented there currently still remains a residual budget gap of:
 - £15.71 million in 2020/21, and
 - £12.81 million in 2021/22

Throughout 2019 the Executive will continue to review proposals to address this budget gap.

Recommendation(s)

That the Executive recommend to Council that it approves the following:-

- a) The 2019/20 net Revenue Budget of £169.94 million.
- b) The 2020/21 to 2021/22 Medium Term Financial Strategy (MTFS) including the income and savings proposals.
- c) The calculation of the Council Tax Requirement as summarised in Section 9.1 and set out in the Formal Council Tax Resolution (as required under statute and formerly called the Green Sheets in Annex I (any update for changes in Mayoral Police and Crime Commissioner or Mayoral General (incl Fire Services) Precepts, if any, will be tabled at the Council Meeting);
- d) To increase Council Tax by 3.99% in 2019/20:
 - o 2.99% general increase in the 'relevant basic amount' in 2019/20, 2020/21 and 2021/22, and
 - o 1% for the 'Adult Social Care' precept in 2019/20.
- e) The Fees and Charges for 2019/20 and those relating to Registration of Births, Death & Marriages also shown for 2020/21, as set out in the Fees & Charges booklet.
- f) That approval is delegated jointly to each Corporate Director with the Corporate Director of Finance and Systems to amend fees and charges during 2019/20 in the event of any change in VAT rate, as appropriate.
- g) That approval be delegated jointly to each Corporate Director with the Corporate Director of Finance and Systems to amend fees and charges during 2019/20 under delegated powers where the economics of the charge levels have changed (e.g. costs have risen unexpectedly), or for commercial reasons.
- h) That the minimum level of General Reserve for 2019/20 be increased to £7.0 million an increase of £1m from 2018/19 (Section 7.2).
- i) The Capital Strategy, Prudential and Local Indicators and overall level of the Capital Programme and Asset Investment Fund of £212.28 million (as detailed in the Capital Strategy, Capital Programme & Prudential Indicators 2019/22) of which £167.93 million relates to 2019/20; this includes £106.91million of new prudential borrowing.
- j) The Treasury Management Strategy 2019/20 to 2021/22, including the debt strategy (Section 3), the investment strategy (Section 5) and the Prudential Indicators, including the Authorised Limit (as required by Section 3(1) of the Local Government Act 2003, Operational Boundary, Minimum Revenue Provision and investment criteria as set out in Appendix 3 of the report.
- k) The distribution of Dedicated Schools Grant as recommended by the School Funding Forum and Executive as summarised in Section 8 and detailed in

Annex H.

and in recommending approval of the above, has taken into consideration :

- a) The objective assessment by the Corporate Director of Finance and Systems of the robustness of budget estimates and adequacy of the financial reserves (Section 7 and Annex G).
- b) The Executive's response to the Scrutiny Committee's recommendations to the budget proposals as included in a separate report on the agenda.
- c) The Council's Public Sector Equality duty.
- d) The results of the consultation on the budget proposals

In addition, Executive recommends that Council notes the following :

- a) The approval on 23 January 2019 under delegated powers by the Corporate Director of Finance and Systems of the Council Tax Base for 2019/20 at 76,999 Band D equivalents.
- b) Along with the calculation of the estimated Council Tax surplus, sufficient to release £(1.324)million to support the Council's 2019/20 revenue budget and a distribution of £(187)k and £(74)k representing the respective shares of the Mayoral Police and Crime Commissioner Precept and Mayoral General Precept (including Fire Services).
- c) The base budget assumptions as set out in the Medium Term Financial Strategy (MTFS) as detailed in Annex A.
- d) The budget gap for the two years 2020/21, £15.71m and 2021/22, £12.81m.
- e) That the Capital Programme for 2019/20, 2020/21 and 2021/22 is to be set at an indicative £167.93 million, £32.99 million and £11.36 million respectively (indicative at this stage as a number of capital grants not yet known).
- f) That the Council Tax figures included in the report for the Mayoral Police and Crime Commissioner Precept and Mayoral General Precept (including Fire Services) are the recommended provisional amounts pending their formal approval.

Contact person for access to background papers and further information:

Name: Councillor Michael Cordingley, Executive Member for Finance
Nikki Bishop, Corporate Director of Finance and Systems
Extension: 4884

Background Papers – Report to Executive 15 October 2018 Executive’s Draft Revenue Budget Proposals 2019/20 & MTFS 2020/22

Implications:

Relationship to Policy Framework/Corporate Priorities	Value for Money. The proposed draft budget for 2019/20 supports all key priorities and policies.
Financial	The report sets out the proposed budget for 2019/20, allocating available resource across service objective heads as detailed in Annex F of 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. 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. Where appropriate and necessary some of the savings proposals have been the subject of consultation.
Equality/Diversity Implications	The Council has complied with the requirements of its Public Sector Equality Duty. Where appropriate and necessary some of the savings proposals have been the subject of consultation. Measures have been subject to equality impact assessments where necessary.
Sustainability Implications	None arising out of this report.
Resource Implications e.g. Staffing / ICT / Assets	Human Resources – statutory processes have been complied with during the course of these budget proposals in respect of staffing implications where they apply.
Risk Management Implications	The risks associated with the budget proposal have been considered.
Health and Wellbeing Implications	The Council has complied with the requirements of its Public Sector Equality Duty.
Health and Safety Implications	The health and safety implications of the budget proposal have been considered.

Other Options

The Executive is recommending an overall increase to the level of council tax of 3.99% in 2019/20 comprising the increase of 1% for the ‘adult social care precept’ to be earmarked for adult social care expenditure and 2.99% general increase in the ‘relevant basic amount’.

An alternative option is not to increase council tax but there would be insufficient funding to pay for the Council’s services in 2019/20. If this option were pursued then

further savings of £3.79 million would need to be identified over and above the significant level of savings already included in this budget report. Alternatively a decision could be made to increase its 'relevant basic amount of council tax' above the levels proposed in this report, however this would exceed the referendum limits, which would mean a local referendum was required.

The use of reserves has been reviewed (See Section 7) and an appropriate amount has been assessed for release to support these budget proposals whilst still maintaining a prudent 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 number of the savings proposals have been subject to public consultation and the outcomes are detailed in Section 1.2.

The Public Sector Equality Duty

The Equality Act 2010 requires public authorities to have regard to the Public Sector Equality Duty in making any decision. The public sector equality duty requires public authorities to consider the needs of people who are disadvantaged or suffer inequality when making decisions regarding its service provision and policies.

People who have certain protected characteristics are protected under the Equality Act 2010. The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The legislation requires that, when carrying out its functions, a public authority must have due regard to:

- The elimination of unlawful discrimination;
- The advancement of equality of opportunity between people who have protected characteristics and those that do not; and
- The fostering or encouragement of good relations between people who share a protected characteristic and those who do not.

In considering the report and deciding whether to propose the recommendations to Council the Executive is required to have regard to the Public Sector Equality Duty. In order to satisfy this duty the Executive must consider whether the proposals are likely to discriminate against or disadvantage persons who have protected characteristics as set out above; whether there are mitigation measures which would offset any such impacts which are identified; or whether countervailing factors, namely the significant budgetary pressures facing the Council and the need to make improvements and efficiencies to the services concerned are considered to provide justification for the measures proposed. Where appropriate and necessary Equality Impact Assessments of the proposals have been carried out and these are available to members to assist them in the evaluation of the proposals in the context of the Public Sector Equality Duty.

Reasons for Recommendation

To enable the Council to set a Budget Requirement and Council Tax level for 2019/20. The reasons for these recommendations are to deliver a balanced budget for 2019/20 in relation to the proposals set out in this report, whilst having due regard for equality impact and risk mitigation.

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



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 2019/20 &
2020/21-2021/22 Medium
Term Financial Strategy**

20 February 2019

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**FOREWORD by the EXECUTIVE MEMBER for FINANCE
COUNCILLOR MIKE CORDINGLEY**

I am pleased to present the Council's budget report for the period 2019/20 to 2021/22 which sets out our spending priorities across the revenue budget, capital programme and the Dedicated Schools Grant (DSG) budgets. 2019/20 will be the tenth consecutive year that the Council has been challenged with having to set a budget faced with continuing reductions in funding. Over this period this has meant savings to council services of £138m have had to be made; this inevitably poses a strain on continuing to deliver the services that our community deserves.

In recent months the plight of local government finances has come under great attention as a number of local authorities struggle to cope and in some cases have shifted to a core service offer, barely above a statutory minimum. Trafford is already a low spend authority and therefore has limited flexibility available to address further cuts in funding. Our population is projected to increase by around 12% to 261,000 over the next twenty years, a slightly higher rate of increase than the national projection of 11%. Reflecting the national trend, the highest rates of population growth will be seen within the older age groups. The number of people aged 65 and over is projected to increase by 40%, whilst those aged 85 and over will increase by 73% bringing even greater challenges to the health and social care system. This coupled with a growth in the level of children in care or with special educational needs, places a great strain on this area of the budget which accounts for over half of our net expenditure.

Over the next few years there will be a number of issues which will have a direct and significant impact on the budget. The national Spending Review next spring will signal the expected levels of resources to be available to local government over the next three years and the long awaited green paper on the future of social care should offer some solutions for our social care services and how they can be afforded in the future.

2020/21 will see two major changes; the implementation of the Fair Funding Review which will be used to distribute resources across local government nationally and a reset of the business rate retention scheme. Both these changes are likely to impact on the level of resources we have to support our services, particularly the latter with a proposed full reset of business rate baselines which will mean that the growth achieved in recent years and which has been supporting our budget will be removed.

Since the summer the Executive and Corporate Leadership Team have held a number of workshops to firstly take stock of the overall budget position, the assumptions underpinning the financial forecasts and the extent of the funding gap over the next three years and then to develop proposals to address that gap.

Since the draft budget was presented to Executive on 15 October 2018 there have been a number of factors which have contributed to an overall increase in the budget gap for 2019/20 from £12.10m to £13.44m and over the next three years from £41.37m to £45.88m.

There has been a full review of budget assumptions and review of inflationary pressures on pay, goods and services and contractual expenditure as well as including the implications of the Autumn Budget Statement and Local Government Financial Settlement. The implications of the projected outturn for 2018/19 have also been considered together with full robustness review of the budget by the Corporate Director of Finance and Systems. The Council's Scrutiny Committee has also contributed positively to the budget process and reviewed the budget assumptions and proposals.

<i>Movement in Gross Budget Gap Draft to Final</i>	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
At Draft Budget	12,095	22,533	6,744	41,372
Total Changes to Budget Assumptions (see Annex B for detail)	3,407	1,472	0	4,879
Changes to Funding				
Increase in Council Tax Base further 0.25% to 1.25%	(251)	(11)	(8)	(270)
Additional release of accumulated Council Tax Surplus	(424)	424	0	0
Changes in Bus Rate Assumptions (inc. Reset)	(1,385)	1,280	(1)	(106)
Total Changes to Funding (Non Policy Choice)	(2,060)	1,693	(9)	(376)
Revised Gross Budget Gap (Feb 2019)	13,442	25,698	6,735	45,875

The robustness review of the budget has identified areas where further new investment has been included in the budget proposals, particularly around the pressures being felt in adult and children's social care services. These proposals include for approximately £5.7m of growth between 2018/19 and 2019/20 in this area to cover further demographic growth, children's placement costs, rising cost of home to school transport and additional costs reflecting market pressures (costs exceeding framework prices).

We promised to review the charge introduced during 2017/18 for the collection of garden waste. Removing the charge would have the following impact on the budget:-

- Reduction in net income £1.45m
- Impact on waste levy and provision of bins £350k.

These budget proposals allow for the charge being removed from June 2019, with a short period during which residents without a garden waste bin can request one for free. This has been accommodated as a result of sustainable income from a growth in our council tax-base, projected new income from the Asset Investment Strategy and further savings and income measures identified since the draft budget was prepared. These include additional savings from a debt restructuring exercise and the replacement of a sizeable market LOBO loan instrument.

The 2019/20 revised gross budget gap of £13.44m has been met by a combination of the following:

- Policy Choice Funding Increases amounting to £6.59m, comprising
 - Continuation of the previously proposed increase in Adult Social Care Precept of 1% to generate £0.95 million
 - Increase in the basic rate of Council Tax of 2.99%, generating £2.84m
 - Application of Budget Support Reserve £2.80m
- Income generation and savings amounting to £6.85m, comprising:-
 - Income Generation of £3.28m
 - Service Delivery Savings of £3.57m

Summary of the Budget Proposals	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Revised Gross Budget Gap (Feb 19)	13,442	25,698	6,735	45,875
Policy Choice Funding Proposals				
Adult Social Care Precept increase 1%	(950)	0	0	(950)
General Increase in basic Council Tax to 2.99%	(2,839)	(2,973)	(3,080)	(8,892)
Contribution from Budget Support/ Business Rate Smoothing Reserves	(2,798)	(4,502)	7,300	0
Total Policy Choice Funding	(6,587)	(7,475)	4,220	(9,842)
Savings and Income proposals *	(6,855)	(2,514)	1,852	(7,517)
Revised Budget Gap (Feb 19)	0	15,709	12,807	28,516

Our capital investment plans include proposals for some major new investment. In October 2018 the Executive approved £46.8m for the rebuild of two new leisure centres in Stretford and Altrincham, in addition to planned investment to redevelop Urmston leisure centre at a cost of £6.95m. In respect of investment on the highways the capital programme includes £6.24m in 2019/20 to be financed mainly from capital receipts.

The capital expenditure plans for 2019/20 also include provision for:-

- Investment in school buildings of £21.6m
- Targeted support to some of our most vulnerable residents £3.6m
- Outdoor sports and improvements to green spaces £1.3m
- Public realm works in our town centres £3.9m
- Expansion of a full fibre IT connectivity across the borough £0.7m
- Town centre and business loans £350k

Section 7 provides an update on the levels of reserves. It is worth noting that whilst the 2019/20 budget proposals in the report include £2.8m of support from the Budget Support Reserve, an amount of £4.5m has been added to reserves during 2018/19 to support future budget plans.

In addition the Council are taking an unprecedented step in supporting the increasing pressures on the High Needs budget (Section 8) by contributing £0.6m towards the cost of SEN provision in 2019/20. This means that the additional grant allocated by the ESFA in December 2018 for high needs can be used to invest in the service in an attempt to avoid changes which will inevitably put pressure on service provision for some of the borough's most vulnerable children.

The proposals in this report still leave a budget gap of £15.7m in 2020/21 and sustainability of Council budgets remains a major risk. Even without having to contend with reductions to funding the Council is faced with annual expenditure pressures caused by cost of living increases in pay for our staff, contract prices and demography pressures in the region of £8m to £9m per year. The ability to pay for these services through an increase in council tax is limited and means that future sustainability is a major concern with these high level numbers implying that new savings to already stretched Council services will be required on an annual basis unless addressed by additional grant or changes to the future funding arrangements for social care as promised in a future green paper.

The hard reset of the business rate baselines, promised by MHCLG, in 2020/21 will mean that funding streams the Council has become reliant on could be lost and this is the major reason the funding gap for 2020/21 remains at £15.7m. It is unlikely that any indicative funding figures will be made available by Government until late summer or early autumn 2019, a concern that the Local Government Association has taken up directly with MHCLG, which will make financial planning difficult for 2020/21. In any event a number of potential mitigating factors exist:-

- Government are currently consulting on transitional arrangements which, whilst these will unwind over a period of time, could protect the Council from a sudden and significant fall in resources.
- The Council's current budget contains a modest level of discretionary services which will be reviewed during 2019 as well as fees and charges
- Comprehensive Spending Review and the social care green paper could both signal the trajectory of funding in future years and specifically funding for social care.
- Population growth in Trafford is projected to rise faster than the national average which whilst meaning the pressure on Council services could increase is likely to mean improved levels of Government funding through the new formula as proposed which has its basis in population numbers.

The Asset Investment Strategy is realising both regeneration benefits and vital new income streams and the proposal in this budget report to increase the size of the Investment Fund will provide greater scope to achieve further new income streams in 2019/20.

Local Government will continue to play a vital role in delivery of public services and in combatting the effects of austerity on the local community. With a budget gap for the following two years of £28.52m, the size of the challenge remains significant. This gap clearly indicates that the sustained austerity since 2010 is far from over and this is compounded with the impact of Brexit, lack of information on the future of social care funding and the reset of business rate baselines which add significant pressure and uncertainty in future years. For that reason the Council's Executive and Leadership Team will continue to work on developing further budget proposals during 2019/20 to meet this future financial challenge.

Councillor Mike Cordingley

A handwritten signature in black ink, appearing to read 'M. J. Cordingley', written in a cursive style.

Executive Member for Finance

BUDGET PROCESS 2019/20

1.1 Budget Approach 2019/22

1.1.1 To put the budget process into context it is useful to understand the size of the overall budget.

1.1.2 The gross revenue expenditure of the Council in 2018/19 is £454m and comprises:-

- Gross revenue budget £256m (£164m, net of specific grants and fees and charges income);
- Schools (Dedicated Schools Grant) £129m (excluding academy schools);
- Housing Benefits £69m.

1.1.3 In addition the Council has a capital programme of £340m in 2018/19 (including the Asset Investment Fund) which covers the cost of acquisition of new assets and major maintenance and improvements of the Borough's infrastructure.

1.1.4 In setting the budget close attention is placed on ensuring it aligns closely with the Council's priorities which in turn will help delivery of the Council's vision:

“Working together to build the best future for all our communities/everyone in Trafford”

1.1.5 The Council has identified seven strategic priorities that it believes are crucial to enabling Trafford residents, businesses and staff to thrive. These priorities set out the aspirations for our people, place and communities, and how they can affect and improve their daily lives.



Building Quality, Affordable and Social Housing

Trafford has a choice of quality homes that people can afford



Health and Wellbeing

Trafford residents health and Well-Being is improved and Reducing Health Inequalities



Successful and Thriving Places

Trafford has successful and thriving town centres and communities



Children and Young People

All Children and Young People in Trafford will have a fair Start



Pride in Our Area

People in Trafford will take pride in their Local Area



Green and Connected

Trafford will maximise its Green Spaces, Transport and Digital Connectivity



Targeted support

People in Trafford will get support when they need it most

- 1.1.6 Both the revenue budget and capital programme have been developed to ensure they clearly support the delivery of outcomes related to each priority.
- 1.1.7 The draft budget for 2019/20 was agreed by the Executive on 15th October 2018 and set out the overall approach to the budget to address a funding gap of £41.37m in the revenue budget over the next three years, of which £12.10m related to 2019/20.
- 1.1.8 In developing the budget proposals the Executive has continued to focus on creation of new income into the Council in order to avoid the equivalent amount having to be found from service budgets and thereby minimise adverse impacts on residents and businesses.
- 1.1.9 At draft budget in October 2018 a number of income generation proposals and savings totalling £5.94m were identified and assumptions were made on increases to the rate of council tax. At that stage a budget gap of £2.36m remained in 2019/20.

Table 1; Budget Gap Oct 18	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
Gross Budget Gap before Feb 18 Savings and Policy Choice Funding Proposals	10,606	9,129	0	19,735
Budget Updates at Draft (Oct 18)				
Changes to Budget Assumptions	3,478	4,155	8,547	16,180
Changes to Funding	(1,989)	9,249	(1,803)	5,457
Revised Gross Budget Gap (Oct 18)	12,095	22,533	6,744	41,372
Policy Choice Funding Proposals				
Reinstate Adult Social Care Precept increase 1%	(950)	0	0	(950)
General Increase in basic Council Tax to 2.99% (subject to referendum level)	(2,839)	(2,973)	(3,080)	(8,892)
Contribution from Budget Support/ Business Rate Smoothing Reserves	0	(7,300)	7,300	0
Total Policy Choice Funding	(3,789)	(10,273)	4,220	(9,842)
Savings and Income proposals	(5,943)	(1,885)	1,645	(6,183)
Revised Budget Gap (Oct 18)	2,363	10,375	12,609	25,347

1.1.10 Since the draft budget which was approved by the Executive on 15th October 2018 there have been a number of factors which have impacted on the overall budgetary position.:-

- Provisional Local Government Finance Settlement (Section 2)
- In-year monitoring position (Section 3)
- General review of budget assumptions
- Scrutiny
- Staff Consultation

1.2 Consultation

1.2.1 In order to assist the evaluation of the budget proposals and to ensure that the Council is sufficiently informed to enable it to meet its duties under the Equality Act, a number of Equality Impact Assessments (EIAs) have been carried out to ensure that due consideration was given to those with the protected characteristics and to identify the likely impact of the proposals on each of these groups for the savings measures included in the report.

1.2.2 The Council has carried out public consultation on its budget proposals where required and taken these into consideration when presenting this budget. Those carried out were:

- Council Tax Support involving an increase in provision to the most vulnerable clients. After an eight week consultation, 10 August to 5 October 2018, involving a press release, an on-line survey and a range of stakeholder events more than 75% of those who responded supported the proposed changes. The cost of these favourable changes has been met through the existing budget.
- Adult Social Care Charging and Debt Recovery Policies and Regulatory Reform Order. Policies have been amalgamated and clearer guidance relating to disability related expenditure agreed. In addition, changes to funding, grants and charges were included. After a twelve week consultation, 28 August to 21 December 2018, involving a targeted mailshot, an on-line survey and a range of stakeholder events, the Council has only taken forward the changes that were supported by the majority of the respondents.
- Amendments to Contact Centre opening hours were consulted on via an online consultation. The proposed changes were to move the opening time from 8.00am to 8.30am and closing time to move from 7.00pm to 5.30pm as there is less demand for services during these times and also to encourage residents to use the online facilities that are available. There were only two respondents to this consultation both of whom disagreed with the changes. Having considered the responses the recommendation is to proceed with the changes.
- Revised Car Parking fees for 2019/20 for on and off street car parking, and extending the charging period for on and off street parking to 8pm, Monday to Saturday, from April 2020. There were almost 250 responses

received to this online consultation. There was a balanced response to the revised parking fees, with 42% strongly agreeing/agreeing and 48.5% strongly disagreeing/disagreeing with the amended tariffs. The comments received related to concerns regarding the half hour tariff of 50p, however, this needs to be balanced against the reduced tariffs for longer time periods which will encourage people to extend their stay in town centres. The majority (75%) of those responding to the extended charging period from April 2020 either strongly disagreed/disagreed with the proposal, with 22% of respondents either strongly agreeing/agreeing. However, it is believed that the extended charging period to 8pm will allow for more effective parking management in town centres and high use areas in the future.

In addition, the Council is committed to the sustainable development of the borough's town centres which are well served by public transport, including the metrolink which provides excellent connectivity to Altrincham, Sale, and Stretford town centres. The Council is actively working with the GMCA/TfGM to further improve these services and public transport provision as a whole. The Council has made significant investment in the town centres, such as the c£3m improvements to the public realm in Altrincham with a further c£3m planned, and c£2m planned to further improve the public realm in Stretford. Also Altrincham has greatly benefited from the c£19m investment made in the new Interchange providing a hub for bus, tram and train services. As part of the GM Mayor's Made to Move strategy, aimed at encouraging walking and cycling to benefit health and wellbeing and reduce congestion, the Council is developing plans to improve cycling and walking routes throughout Trafford and is currently developing an Active Neighbourhood pilot for Urmston and will be exploring the potential for a further pilot in Sale. The Council is therefore trying to ensure a balanced approach between car usage and the accessibility of efficient and effective public transport in Trafford.

For these reasons, having considered the responses and comments received, the recommendation is to proceed with the proposed changes.

1.3 Scrutiny Review

1.3.1 The Scrutiny process for the budget was undertaken across three different sessions:-

- Stage 1 - Review of the MTFP, budget assumptions and budget gap at the draft budget stage (3 October 2018)
- Stage 2 – Presentation by the Leader of the draft budget proposals agreed on 15 October 2018 (7 November 2018)
- Stage 3 – Two further sessions were held on 4 and 6 December 2018 to provide background information on the budget proposals and to answer Scrutiny Members' questions.

- 1.3.2 All sessions were attended by relevant Executive Members and senior officers to give background to the budget proposals and answer questions.
- 1.3.3 Scrutiny Committee comments were submitted to the Executive on 28 January 2019 in the 'Overview and Scrutiny Review of the Executive's Draft Budget Proposals for 2019/20' report
- 1.3.4 The report identifies that Scrutiny Members feel that there are some key areas where the Executive needs to satisfy itself of the robustness of the proposals. These are:
- Delayed Transfers of Care
 - Demand Led Services
 - Adults and Children's Social Care Budget Saving Proposals
 - Budget Reserves and Provisions
 - Budget Monitoring and Future Budget Shortfall
- 1.3.5 In addition Scrutiny requested that a budget be made available to seek the relevant advice to inform a Task & Finish Group's work in developing a carbon budget and set a challenging target date for carbon neutrality in Trafford. Specific costs are not yet known but will have to be met from in year savings within the Place Directorate budget.
- 1.3.6 The Executive's response to the Scrutiny Committee issues and recommendations can be found in a separate report on the Executive agenda.

1.4 Staff Consultation – Terms and Conditions

- 1.4.1 None of the proposals included in the report have a direct impact on staff to require any formal consultation.

2. FINANCIAL BACKGROUND

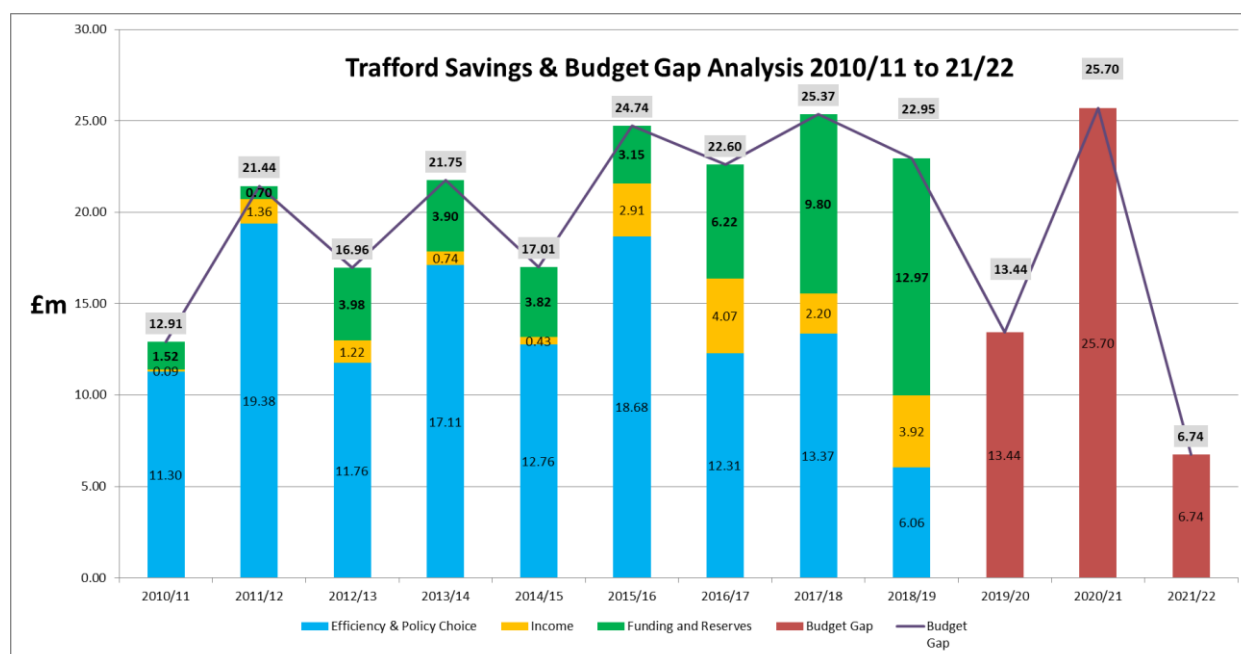
2.1 Background

2.1.1 Since 2010 the Government has reduced the funding for Local Government as part of its efforts to reduce the fiscal deficit. This equates to a 28.6% real terms reduction in an authority's spending power, taking into account council tax.

2.1.2. Alongside reductions in funding, local authorities have had to deal with growth in demand for key services, most notably adult's and children's social care; this demand is expected to continue. Other pressures have also been faced including higher national insurance contributions, inflationary pressures on goods and services, the apprentice levy and the National Living Wage.

2.1.3 In recent years Government has provided some extra funding for social care by way of specific grant and combined with the introduction of the adult social care precept this has meant that the rates of reduction to overall funding have levelled since 2016/17 and will remain relatively flat until 2019/20.

2.1.4 This has meant that by 2019/20 the total value of budget gaps caused by the expenditure pressures and funding reductions since 2010/11 to 2018/19 is £185.7m. There is a further forecast gap for the next three years of £45.88m, of which £13.44m relates to 2019/20.



2.2 Autumn Budget

2.2.1 The Chancellor's Autumn Budget on 29 October 2018 announced more positive news for local government. Overall public-sector spending forecasts for the 2019 Spending Review are better than had previously been expected, and local government should gain from this improvement. In the short term, local government appears to have moved up the Government's agenda and additional funding for the sector has been announced for both 2018/19 and

2019/20. However, these new grants only partially offset the £1.4bn and £1.3bn cuts in Revenue Support Grant in 2018/19 and 2019/20 respectively.

2.2.2 The additional funding included:-

- £650m additional grant funding for adult social care in 2019/20,
- £45m for DFG in 2018/19,
- £84m on 5 years on children's service programme
- £450m in 2018/19 for potholes that will be allocated to highways authorities.

2.2.3 Trafford's share of the capital allocations has been incorporated in the 2018/19 capital programme whilst the additional social care funding has been included in the budget plans for 2019/20:-

- £1.616m Social Care Support Grant – to ensure that pressures in both adults and children's social care do not create additional demand on the NHS
- £0.946m Winter Pressures – a continuation of the investment made in 2018/19 to address delayed discharges to care

2.3 Local Government Finance Settlement

2.3.1 The 2019/20 Local Government Finance Settlement was announced on 13 December 2018.

2.3.2 At a headline level the total Core Spending Power (CSP) for local government as a whole will increase from £45.098bn to £46.373m (2.8%) between 2018/19 and 2019/20. CSP comprises a number of core funding components with the main ones being:-

- Settlement Funding Assessment (Retained business rate baseline and Revenue Support Grant)
- Section 31 compensation grants for business rate initiatives
- Council tax income
- Improved Better Care Fund
- Adult Social Care Support Grant
- New Homes Bonus
- Rural Services Delivery Grant

2.3.3 For Trafford the movement in core spending power is as follows:-

Table 2: Core Spending Power	2018/19 £m	2019/20 £m
Settlement Funding Assessment	45.334	41.133
Section 31 BR compensation grants	0.803	1.168
Council Tax	94.497	99.649
Improved Better Care Fund	5.725	7.037
New Homes Bonus	1.636	1.724
Rural Services Delivery Grant	0	0
Transition Grant	0	0
Adult Social Care Support Grant	0.591	1.616
Winter Pressures Grant	0.946	0.946
Total	149.532	153.273
% Increase		2.5%

2.3.4 The increase for Trafford was lower than the national average due to the size of reduction in Revenue Support Grant.(See Table 3)

2.3.5 The Settlement confirmed the funding offered in accepting the four year settlement deal as detailed in the table below. This shows a further reduction in Revenue Support Grant, a component of SFA in the table above, of £5.00m, which impacts on the level of baseline funding retained by the Council (See Annex C).

Table 3 - The Funding Offer	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's
Revenue Support Grant	22,989	15,276	10,303	5,299
Transitional Grant	465	458	0	0
Rural Services Delivery Grant	0	0	0	0
Total	23,454	15,734	10,303	5,299

2.3.6 The Settlement also included the following:-

- Confirmation on the council tax referendum threshold of 2.99%;
- Confirmation of baseline funding, business rate baselines and tariff levels for 2019/20;

- Start of two consultations on local authorities' relative needs and resources and business rate retention reform, including a business rate reset for 2020/21;
- A Green Paper is still awaited setting out the Government's proposals for reform of social care funding;
- A number of technical changes to business rates due to indexation changes, release of unused national business rates levy and new homes bonus allocations.

2.3.7 The Final settlement was announced on 29 January 2019 and confirmed the details in the provisional settlement and the final year of the four year settlement. The only change was additional council tax flexibility for Northamptonshire County Council.

Business Rates

2.3.8 Whilst the settlement contained a range of technical adjustments affecting the level of business rates available to support the budget in 2019/20, significant benefit will continue to be realised from the GM business rate pilot. The main benefit being that the Government's share of business rate growth, above baseline of 50% under the previous arrangement, is no longer payable and instead retained within GM. The overall benefit from business rates growth supporting the Council's 2019/20 budget is £13.29m as detailed in Annex C.

2.3.9 However, there still remains uncertainty over the level of funding that will be available from 2020 due to the impending reset to business rate baselines and a redistribution of funding formula and the overall reserves strategy as outlined in these budget proposals recognises this risk.

Council Tax

2.3.10 Whilst Council Tax in Trafford remains one of the lowest in the country and the lowest in Greater Manchester, council tax revenues continue to be fairly buoyant due in part to the growth in the tax base. This is due not only to the success of the local economy, with less having to be paid in council tax support, but also the Council has a proactive approach in assisting housing developers with their planning applications including linking them into funding sources to improve the prospect of delivery. Also investment in public realm is expected to have the twin benefits of attracting more business whilst also making our town centres attractive places to live.

2.3.11 Taking this into consideration the Corporate Director of Finance and Systems, in accordance with her delegated powers, has approved a Tax Base of 76,999 Band D properties for 2019/20, an increase of 954 from 2018/19. The forward plans have an expectation of growth in council tax base of 1.25% for 2019/20 and 1.0% in each of 2020/21 and 2021/22.

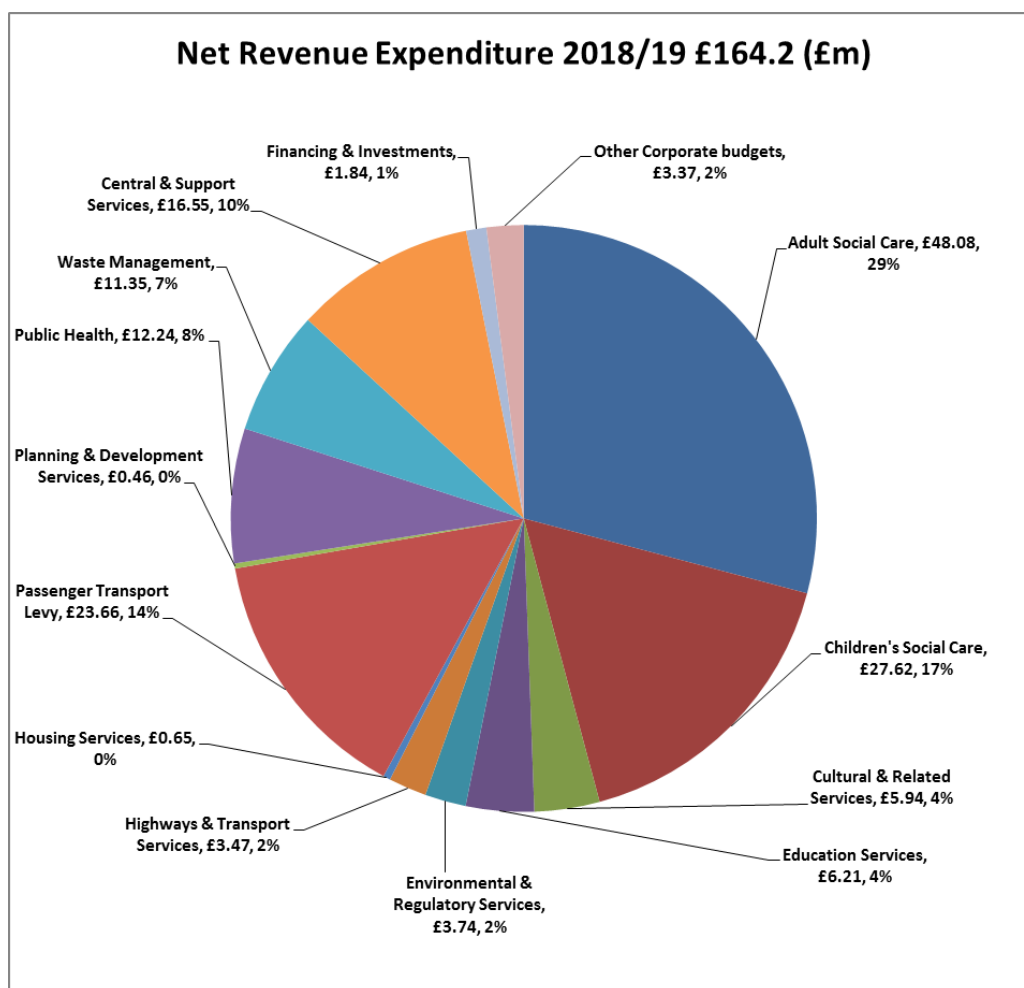
Summary

2.3.12 Although the levels of external grant available continue to decline, the additional funding from local tax revenues are proving crucial to balancing the budget and avoid the need to make further savings in the cost of public services. This will be supported further through new income streams from the Council's Asset Investment Strategy.

3. 2018/19 BASE BUDGET & MONITORING POSITION as at PERIOD 8 (November 18)

3.1 Base Budget 2018/19

3.1.1 The Council's current gross budget for 2018/19 is £454.4m however this includes specific funding of Dedicated Schools Grant and Housing Benefit. The Council's net controllable budget agreed by Council in February 2018 was £164.2m.



3.1.2 The impact of this expenditure includes:-:

➤ Adult Social Care

- Supported over 3,116 residents with a care package;
- Provided 7,073 services to service users;
- Provided over 540,000 hours of external home care support;
- Supported 806 residents through Stabilise and Make Safe (reablement);
- Supported 595 residents through Discharge to Assess (preventing Delayed Transfers from Acute Beds).

➤ **Children's Social Services**

- 3,046 children in receipt of children's safeguarding services;
- 501 periods of children being in the care of the local authority;
- 450 Child Protection plans in the reporting year to date.

➤ **Place**

- Maintained over 500 miles of roads and footpaths;
- Maintained over 27,500 lampposts and 4,500 items of illuminated street furniture;
- Responsible for 18,000 highway trees and 50,000 trees within public parks and open spaces;
- Remove approximately 350 tonnes of street sweepings and litter per month;
- Empty approximately 40,000 bins of household rubbish every day;
- Support and regulate over 5,000 premises for food, health and safety, trading standards, pollution and licensing;
- Manage parking restrictions on street and off street across the borough;
- Licence and regulate approximately 2,400 premises, people and taxis within the Borough;
- Carry out over 2,000 pest control treatments in homes, schools and businesses across the borough;
- Assist over 200 existing and start-up businesses in Trafford;
- Support approximately 400 people in Trafford into employment via the Trafford Pledge, Working Well, and other employment programmes;
- Provide housing advice and assistance to over 22,000 households across the borough;
- Prevent over 650 households from becoming homeless;
- Assist over 200 households to find and secure affordable housing through the Council's Housing Register;
- Enable the development of 85 new affordable homes across the borough;
- Determine over 3,000 planning applications;
- Grant planning permission for 173,583sq meters of employment space (April to Dec 2018);
- 2,154 fixed penalty notices issued for littering;

- 150 littering prosecutions.
- **People, Finance & Systems, and Governance & Community Strategy**
 - The Council continues to collect over 98% of Council Tax remaining the highest collection rate in GM which supports the Council's financial resources;
 - The Council's customer contact service deals with over 256,000 telephone enquiries and over 7,600 emails per year. In 2019/20, the Contact Centre target is to answer 70% of telephone calls within 30 seconds;
 - The Catering Service serves on average 12,500 meals per day, over 2.38 million meals per year;
 - The authority has one crematorium and five cemeteries and the service undertakes approximately 1,700 cremations and 600 burials per year;
 - The Council continues to promote openness and transparency and our Council meetings have received over 3,000 online views;
 - Waterside, Trafford's award-winning destination for performance, culture and events, welcomed over 115,000 visitors in 2017/18. 244 professional productions took place at the venue with over 46,000 tickets sold;
 - In November 2018, Waterside scooped Venue of the Year at the Northern Soul Awards 2018;
 - Provision of the Council's in-house professional services of HR, Legal, IT & Finance;
 - Facilitates and supports the award winning Trafford Partnership;
 - Provision of wedding facilities at Trafford Council venues, including the newly refurbished Flixton House.

3.2 Revenue Budget Monitoring 2018/19 Period 8 (November 18)

3.2.1 Delivery of the 2018/19 budget is critical to maintaining the Council's budget proposals and future MTFS. The period 8 (November 2018) revenue budget monitoring report forecasts a small underspend of £28k as follows:

Table 4: Budget Monitoring results by Service	2018/19 Revised Budget £000's	Forecast Outturn £000's	Forecast Variance £000's	Percent -age
Children's Services	32,337	34,082	1,745	5.4%
Adult Services	47,976	48,473	497	1.0%
Public Health	12,227	12,556	329	2.7%
Place	23,851	22,769	(1,082)	(4.5)%
People	2,742	2,907	165	6.0%
Finance & Systems	6,994	6,945	(49)	(0.7)%
Governance & Community Strategy	7,426	7,575	149	2.0%
Total Directorate Budgets	133,553	135,307	1,754	1.3%
Council-wide budgets	30,693	29,720	(973)	(3.2)%
Net Service Expenditure variance	164,246	165,027	781	0.5%
Funding				
Business Rates	(67,619)	(68,428)	(809)	(1.2)%
Council Tax	(94,497)	(94,497)	-	
Reserves	(1,630)	(1,630)	-	
Collection Fund surplus	(500)	(500)	-	
Funding variance	(164,246)	(165,055)	(809)	(0.5)%
Net Revenue Outturn variance	0	(28)	(28)	(0.0)%

3.2.2 The current in-year variations contain a number of notable items:-

- **Business Rates :**
 - The 2018/19 budget included anticipated growth in retained business rates and related S31 grants of £9.89m. It is still anticipated that the overall budget will be achieved in year, however there has been a net reduction in the underlying amount of Rates collected of £1.5m, as explained further below, offset by a combined one-off increase in Section 31 Grants and a Tariff adjustment relating to previous years of £1.5m;
 - There has been a significant reduction in the underlying total gross rates income, of approximately £5.5m, relating to a number of significant building demolitions and further temporary

reductions due to major building refurbishments. These reductions have largely been offset by a lower provision for rates appeals of £4.0m. The lower provision is a result of a large number of appeals being dismissed by the Valuation Office Agency in respect of major infrastructure projects. This has left an overall net deficit on the Collection Fund of £1.5m. This deficit will need to be made good in 2019/20 by utilising the surplus Section 31 Grants and Tariff adjustment, which will be held in an earmarked reserve for this purpose at year end;

- The underlying reduction in Rateable Value caused by the permanent demolitions, along with a review of the level of provision being held for appeals are being considered as part of setting the 2019/20 and future years' budgets;
 - In addition to the core rates budget, a one off receipt of £3.31m is due from Greater Manchester Combined Authority which represents Trafford's share of unutilised monies from the 2017/18 Business Rates Growth Pilot contributions. It is proposed that a figure of £2.5m is transferred to the Business Rates Growth Pilot Reserve to smooth any volatility in future year's business rates, as those being experienced in the current year. This leaves a net surplus of £0.81m which can be used to partially offset the in-year forecast budget pressures elsewhere.
- Underspend in Place £1.082m, mainly due to one-off business rate refunds (net of fees) relating to Sale Waterside and Trafford Town Hall of £937k;
 - Investment Strategy covering the purchase of properties and other investments, part year benefit of £177k;
 - Treasury Management savings of £363k resulting from a recent debt restructure where high rated debt has been replaced with an equivalent amount of low rated debt;
 - The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above target by £210k, largely as a result of the successful collection of prior years' housing benefit overpayments;
 - A number of Council-wide contingencies and provisions relating to service savings not being achieved and doubtful debts are reviewed on a regular basis and it was considered appropriate, after taking account of one-off costs relating to capital projects no longer proceeding, to release £289k;
 - The latest monitoring information from Stockport Council has identified a projected budget pressure in Coroners and Mortuary fees of £66k.

It should also be noted that:

- A total dividend received from Manchester Airport Group (MAG) in the year of £5.635m is above budget by £2.038m. This one-off saving will be transferred to the MAG Investments Reserve as a prudent measure to protect against the risk of future volatility of MAG income streams;

- Planning income (net of costs) is £355k above target and is ring fenced for re-investment in the service in line with government regulations.

3.2.3 These additional income streams and savings have mitigated the impact of continuing underlying pressures in both adults and children's social care caused by a combination of factors including pressures on children's placement costs, home to school transport and higher than expected costs of adult social care packages.

3.2.4 These items above have been considered in developing the budget proposals for 2019/20 and later years.

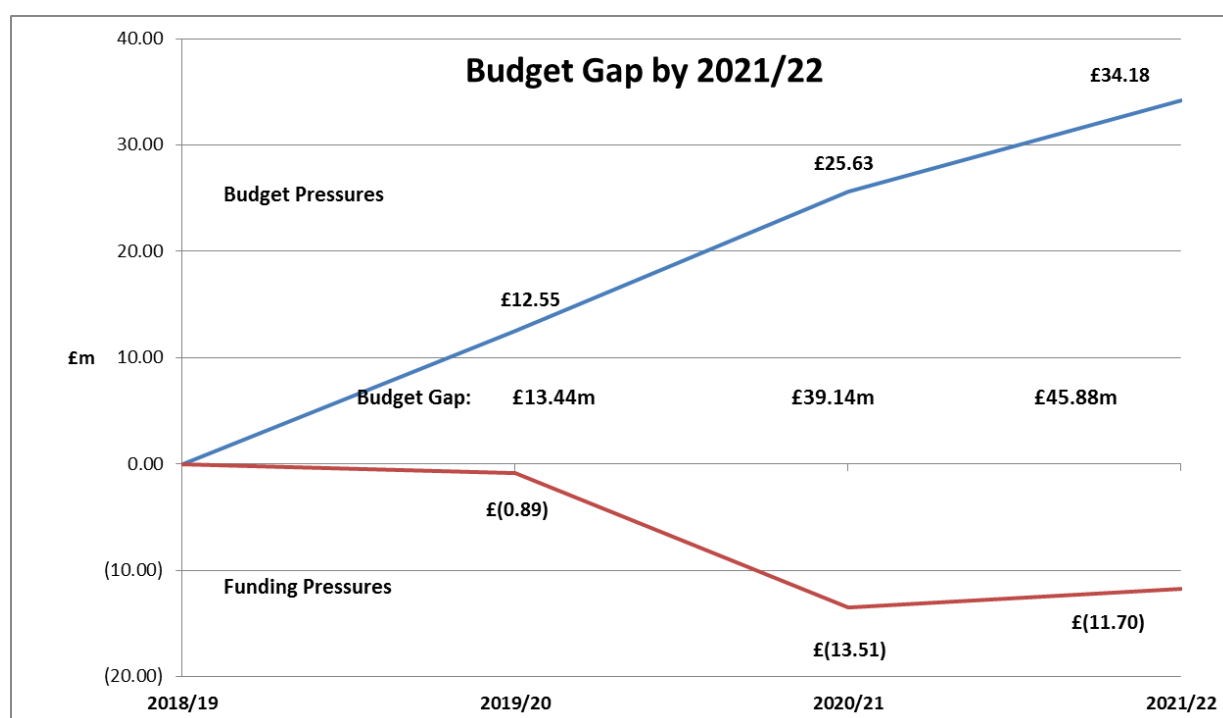
4. BUDGET UPDATES 2019/20 and MTFFS 2020/22

4.1 This section identifies:-

- The overall budget gap for 2019/20 and later years and explains the changes since the draft budget was published in October 2018;
- How the budget gap has been closed for 2019/22.

4.2 Updated Annual Funding Position

4.2.1 The MTFFS position reported to the Executive in the October 2018 Draft Budget Report showed an overall funding gap for 2019/20 to 2021/22 of £41.37m, however due to the in-year demand being experienced within Adult and Children Services, the release of the 2018 Autumn Statement and provisional 2019/20 Local Government Finance Settlement, and updates to policies, assumptions and estimates, the funding gap for the three years has now increased by £4.51m to £45.88m, as shown in the chart below:



4.3 Updated Cost Pressures, Investment and Funding Summary

4.3.1 Budget Pressures:

An overall increase in cost pressures of £34.18m over the next three years, an increase of £4.88m since the draft budget, the main features are detailed below with a summary of the base budget assumptions shown in Annex A:

- Pay: includes a core provision for a 2% pay award, with some lower grades receiving up to 7.3% in 2019/20. An impact of £5.21m over three years.
- Living Wage: an allowance of £5.07m over the next three years has been provided, which covers projected increases in pay, for external care staff, up to the target National Living Wage of £9 per hour.
- Inflation: relates to non-staffing budgets and includes a general allowance of 2%; plus other contractual inflation totalling £6.79m over the next three years.
- Levies: an increase of £2.53m over three years which includes allowances for waste disposal, transport and Environment Agency (flood defence).
- Children's and Adult Social Care: an annual budget increase of £10.2m over the next three years to reflect the increasing number of adults & children requiring social care. **This represents an increase of £2.7m since the draft budget** (£1.0m Children, £1.7m Adults) including additional budgeted costs associated with Winter Pressures of £0.95m announced in the Autumn Statement.
- New Income: including an allowance of £2.66m for the Council's share of the additional funding of £1.5bn the Government is providing for the improved Better Care Fund. A reduction in Adult Social Care Support grant of £0.6m since draft budget as the grant has now been confirmed as one off grant in 2018/2019. A further £1.6m announced in the autumn budget for social care to avoid pressures in the National Health Service and an additional £0.95m for Winter Pressures funding.
- Expected Grant Changes: increase in New Homes Bonus £88k compared to 2018/19 an improvement of £355k since draft budget, largely as a result of an increase in the number of domestic properties. There has also been a reduction in the DSG recharge £200k.
- Treasury Management: includes investment interest and borrowing costs, a reduction of £0.92m over three years, which has been caused by an increase in investment income in line with projected increases in investment rates and savings in maturing debt costs.
- Other: totalling £9.4m over three years, an increase of £3.3m since draft budget. This includes
 - cost pressures of £3.26m in 2020/21 after the loss of transformation funding
 - £550k extra on home to school transport as a result of an increase in pressures being experienced in 2018/19, this has increased by £200k since draft
 - reversals in 2019/20 of prior year savings which were either one off in nature or coming to an end. These include the

refund of AGMA overpayments £413k, early retirement savings on pension payments £228k, reversal of the savings benefit from the advanced pension payments £760k, Housing Benefit overpayment recovery £700k, and allowances for other minor service pressures and contingency items.

- Other additional costs since draft include £1.0m temporary additional contingency due to increasing price pressures in the public health budget which will be addressed by service reviews during 2019/20, £250k for the implementation of Microsoft Office 365, £400k reversal of the non-recurrent Housing Benefit savings and £1.8m loss of existing income and increase in levy charges associated with the removal of the charges for Green Waste.

Overall increase in the estimate of budget pressures in 2019/20 since the October draft budget is £4.88m

4.3.2 Estimated Funding Pressures for the period to 2021/22: £11.7 million

Using the 2018/19 funding of £164.25m as the baseline, this is estimated to reduce to £152.55m over the next three years, resulting in a funding pressure of £11.7m. This represents an improvement of £0.4m since draft budget. The main feature in the total pressure relates to the reset of the Business Rates Growth Pilot in 2020/21 which is being partially offset through an increase in the Council Tax base as detailed below:

- Council Tax: a 1.25% allowance in 2019/20 followed by a 1% increase in 2020/21 and 2021/22 estimated growth in the number of properties, increasing the Council Tax base in each of the next three years. This will generate approximately £1.19m in 2019/20 and £0.9m in the following two years.
- Council Tax release of prior years' accumulated surplus will contribute an additional £1.324m on a one off basis in 2019/20, an increase of £424k since draft budget of which £0.17m (£0.6m at draft) will be transferred to the budget support reserve to support future years' budgets.
- In 2018/19, there was a one off contribution from the budget support reserve. Its removal creates an ongoing funding pressure of £1.63m.

Business Rates: The total estimated reduction in Business Rates over three years is estimated at £12.9m (£13.0m at draft), largely as a result of the reset of the growth pilot of £13.2m, loss of the Revenue Support Grant component of the Baseline Funding Level of £5.0 million, offset by £5.3m of inflation indexation.

At the draft budget the total benefit from Business Rates for 2019/20 was estimated at £65.10m, a reduction of £2.52m from 2018/19. The estimated benefit from Business Rates has been updated to £66.49m as a result of the provisional settlement, representing an improvement of £1.39m. The

improvement consists of the one-off distribution of a national levy surplus of £550k, an increase in Section 31 grant of £251k to compensate Trafford for changes in Small Business Rate Relief and £584k relating to changes in Baseline Funding, Tariff and indexation.

Full details of the benefit from Business Rates are shown in Annex C with a summary in the table below

Table 5: Benefit from Business Rates	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's
Core Baseline Funding	35,031	35,834	36,551	37,281
Revenue Support Grant	10,303	5,299	5,299	5,299
Public Health Grant	12,391	12,064	12,064	12,064
Total Baseline Funding Level (BFL)	57,725	53,197	53,914	54,644
Business Rates Benefit	9,895	13,292	85	86
Total Benefit from Business Rates	67,620	66,489	53,999	54,730
Yearly Change				
Change in BFL		(4,528)	717	731
Change in Business Rates Benefit		3,397	(13,207)	2
Yearly Change		(1,131)	(12,490)	733

4.3.3 The table below summarises the budget movements caused by cost pressures and funding between the draft and final budget stage and the impact on the overall budget gap. A full detailed listing is provided in Annex B.

Table 6: Movement in Gross Budget Gap Draft to Final	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
Gross Budget Gap at Draft Budget	12,095	22,533	6,744	41,372
Total Changes to Budget Assumptions (see Annex B for detail)	3,407	1,472	0	4,879
Changes to Funding				
Increase in Council Tax Base further 0.25% to 1.25%	(251)	(11)	(8)	(270)
Additional release of accumulated Council Tax Surplus	(424)	424	0	0
Changes in Bus Rate Assumptions (inc. Reset)	(1,385)	1,280	(1)	(106)
Total Changes to Funding (Non Policy Choice)	(2,060)	1,693	(9)	(376)
Revised Gross Budget Gap (Feb 2019)	13,442	25,698	6,735	45,875

4.4 How The Budget Gap Has Been Met 2019/20

4.4.1 The table below shows the final position following the latest round of business cases & budget proposals and funding updates.

Table 7: Summary of the Budget Proposals	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
Revised Gross Budget Gap (Feb 19)	13,442	25,698	6,735	45,875
Policy Choice Funding Proposals				
Adult Social Care Precept increase 1%	(950)	0	0	(950)
General Increase in basic Council Tax to 2.99%	(2,839)	(2,973)	(3,080)	(8,892)
Contribution from Budget Support/ Business Rate Smoothing Reserves	(2,798)	(4,502)	7,300	0
Total Policy Choice Funding	(6,587)	(7,475)	4,220	(9,842)
Savings and Income proposals *	(6,855)	(2,514)	1,852	(7,517)
Revised Budget Gap (Feb 19)	0	15,709	12,807	28,516

(*) Full details are included in Annex D

4.4.2 A summary of the changes since the Draft Budget Report in October 2018 which included a remaining gap of £2.363m are summarised as follows with more specific detail given in Annex B

Table 8: Movements Since Draft Budget	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
Budget Gap (Oct 18)	2,363	10,375	12,609	25,347
Changes to Budget Assumptions	3,407	1,472	0	4,879
Changes to Funding (Non Policy Choice)	(2,060)	1,693	(9)	(376)
Changes to Savings and Income Proposals	(912)	(629)	207	(1,334)
Changes to Funding (Policy Choice)	(2,798)	2,798	0	0
Total Budget Gap (Feb 19)	0	15,709	12,807	28,516

An explanation of the changes to Budget Assumptions/ Pressures and Funding (Non Policy Choice) are referred to above at 5.3.1 and 5.3.2 with full details shown in Annex B.

The major changes to Savings and Income Proposals and Policy Choice Funding totalling £(0.912)m and £(2.798m) in 2019/20, are summarised below with full details in Annex B.

New Savings, Income Proposals and Policy Choice Adjustments

- An extra £585k with regard to the Asset Investment Strategy

- £300k extra relating to our treasury management activities and investments in Manchester Airport Group.
- Loss of expected additional income in 2019/20 of £395k relating to Green Waste charges (was the assumed increase in budgeted income)
- £400k additional income from the recovery of Housing Benefit Overpayments

Changes to Funding (Policy Choice)

- The figure of £(2.798)m relates to the use of the Budget Support Reserve to balance the 2019/20 budget. The Budget Support Reserve was created during 2015/16 to support future year's budgets. This is a one-off resource which assists in helping to close the gap in 2019/20.

4.4.3 Council Tax







- a) Council Tax: within the Provisional 2019/20 Local Government Finance Settlement the Government set out its proposals regarding Council Tax referendum principles for 2019/20
- b) to allow Local Authorities to increase their Council Tax by less than 3% without the need to hold a referendum i.e. allow a 2.99% general increase in the 'relevant basic amount'. This budget report includes for a 2.99% increase in 2019/20 and a further 2.99% increase in 2020/22.
- c) Continue the flexibility offered on the use of the 'adult social care precept', the original intention was for a 2% per year increase from 2017/18 to 2019/20, in recognition of the pressures on adult social care services. Social care authorities were then given the flexibility to increase by up to 3% in 2017/18 or 2018/19 but still could not exceed 6% in total over the three year period. The proposals in this report include for a further precept amount of 1% in 2019/20, following the 3% and 2% levied for 2017/18 and 2018/19 respectively. The Autumn Statement made no further reference to increases in the adult social care precept from 2020/21.

Therefore the budget for 2019/20 includes proposals for an overall increase in the level of Council Tax of 3.99%:

- 2.99% general increase in the 'relevant basic amount' and
- 1% for the 'Adult Social Care' precept

4.5 Existing & New Savings & Income Proposals

- 4.5.1 The table below summarises all the income and savings programmes of £6.855m in 2019/20 and proposals by the Council's corporate priorities:

Table 9: Summary of Savings & Income Proposals by Intervention	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
 Building Quality, Affordable and Social Housing	(10)			(10)
 Pride in Our Area	(208)	(5)	(5)	(218)
 Green and Connected	(164)	(73)		(237)
 Successful and Thriving Places	(5,309)	(2,436)	1,857	(5,888)
 Children and Young People	(595)			(595)
 Targeted support	(569)			(569)
Total Income and Savings	(6,855)	(2,514)	1,852	(7,517)

4.5.2 New income and savings proposals to be approved in this report are individually listed in Annex D.

5. PROPOSED 2019/20 BUDGET and 2020/22 MTFS

5.1.1 The proposed net budget for 2019/20 is £169.936m an increase in the net budget of £5.69m or 3.5%, from £164.245m. Full subjective and objective summaries providing a breakdown of the 2019/20 net budget of £169.936m can be found in Annexes E & F.

5.1.2 Whilst the budget gap has now been closed for 2019/20 the size of the challenge over the following two years remains significant. For that reason the budget process for 2020/21 will, as in previous years, commence immediately after the approval of the 2019/20 budget such that sufficient time is afforded to consider all options at an early stage, to ensure robust savings proposals can be developed in order to bridge the budget gap in future years as shown below.

Table 10: The 2019-22 Budget Gap	February 2019		
	2019/20 £000's	2020/21 £000's	2021/22 £000's
Budget Forecasts			
Net Budget b/fwd	164,245	169,936	180,508
<u>Budget Pressures</u>			
Pay	1,831	1,666	1,717
Living Wage	1,929	1,572	1,572
Inflationary	218	282	287
Contractual Obligations	2,117	1,930	1,960
Levies	1,360	662	507
Social Care Demographic	5,235	2,500	2,500
Grants, Legislative & Service Transfers	(5,074)	702	4
Loss of Income	55	(350)	0
Treasury Management	(220)	(698)	0
Other	5,095	4,820	0
Total Budget Pressures	12,546	13,086	8,547
<u>Approved Budget Proposals</u>			
Income	(3,274)	(847)	1,862
Efficiencies & Policy Choice	(3,581)	(1,667)	(10)
Total Approved Budget Proposals	(6,855)	(2,514)	1,852
Net Budget	169,936	180,508	190,907

Budget Forecasts	2019/20 £000's	2020/21 £000's	2021/22 £000's
<u>Funding:</u>			
Council Tax	(99,500)	(103,500)	(107,660)
Council Tax Prior Year Collection Fund (Surplus)/Deficit	(1,324)	0	0
Business Rates: Local Share	(147,787)	(150,743)	(153,758)
Business Rates: Tariff Payment	94,590	96,829	99,113
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	(13,291)	(85)	(86)
Funding	(167,312)	(157,499)	(162,391)
<u>Movements in Reserves:</u>			
Cont. to Budget Support Reserve (from Council Tax Surplus)	174	0	0
Cont. from Budget Support Reserve	(2,798)	(600)	0
Cont. from Bus Rates Smoothing Reserve		(6,700)	
Movements to/(from) Reserves	(2,624)	(7,300)	0
Cumulative Revised Budget Gap	0	15,709	28,516
Annual Revised Budget Gap	0	15,709	12,807

6. INVESTMENT STRATEGY

6.1 Background

6.1.1 During 2018/19 the Council has continued to build on its overall approach to investments in an effort to strengthen the Council's financial resilience over the next few years and offer an alternative solution that can be used to address future budget gaps. The Investment Strategy is only one element of the Council's budget strategy and service savings and efficiencies will continue to be sought in future years, albeit that it is expected that the reliance on generating sustainable, low risk revenue streams will continue to play an increasing role given the extent of savings already delivered since 2010/11.

6.1.2 The updated Asset Investment Strategy was approved by the Executive in October 2018 and based on the latest monitoring position £174.2m has been committed from an original funding pot of £300m. It is proposed to increase this to £400m, supported by prudential borrowing, to support the approach and provide headroom for new investment opportunities which might arise during 2019/20.

6.1.3 The Strategy is operated within MHCLG guidance in that it complies with the three key requirements:

- It sets out the authority's policies for prudent management of its investments and for giving priority firstly to **security of investments** and secondly **liquidity** followed by **yield**;
- It identifies the procedures for monitoring, assessing and mitigating risk of loss of the invested sums; and
- It is approved by full Council.

6.1.4 During 2018/19 MHCLG formalised its draft guidance in this area and CIPFA are also currently working on updated guidance around the prudential code to further govern local authority investments. The Council will continue to monitor developments in this regard and will review its strategies to ensure that they are fully in compliance with such guidance

6.2 Coverage

6.2.1 The Council's overall approach to investments is included in the Treasury Management Strategy and Capital Strategy Reports found elsewhere on the agenda.

- **Financial assets (See Treasury Management Report)**
 - Specified Investments
 - Loans
 - Non specified Investments (i.e. MAG shares)
- **Non-financial investments (See Capital Strategy Report)**

7. ROBUSTNESS, RISKS & RESERVES

7.1 Robustness and Risks

7.1.1 The law requires that the Council sets a balanced and robust budget, which is sufficient to meet its legal obligations, and then its aspirations. This requires all plans to be costed, forecasts and estimates to be checked for reasonableness, and risks to be assessed across the many varied services the Council provides. This also includes an assessment for emergencies, severe weather and other service and strategic risks.

7.1.2 Robustness does not guarantee that all possible eventualities are identified, or that all budget estimates are exact. Actual income and expenditure is likely to vary from the established budgets, but in the round these will compensate, and the approved budget need only be sufficient to meet overall expenditure requirements.

7.1.3 In exercising their statutory duty the Corporate Director of Finance and Systems, in conjunction with the Corporate Leadership Team, will take all matters and issues into consideration and will make a reasoned assessment of whether the budget is sufficient and robust. The Executive will ensure the minimum reserve level is maintained to ensure the Council can meet its obligations.

7.1.4 The Council faces various financial risks to include:

- The ability to deliver savings within agreed timescales.
- Potential legal challenges to decisions.
- Fees & charges income differing to assumptions.
- Variations to external funding and grant allocations.
- Demographic pressures.
- Inflation & Interest Rates differing to assumptions.
- Business Rates growth & the 100% retention scheme pilot and potential costs with backdated appeal costs.
- Variations to external levies & contracts.
- Future changes to legislation
- An increasing level of its funding from local sources
- Devolution & integration of Health & Social Care (also an opportunity)

7.2 Reserves

7.2.1 Reserves are set aside so that future plans can be afforded or to avoid infrequent or emergency expenditure impacting on the 'normal operational budget. It is a legal requirement to set aside provisions, and a minimum level of generally available reserve and it is best practice to ensure that there are

other sufficient reserves available to meet further needs to ensure an achievable and sustainable budget.

7.2.2 The Council usable reserves at 31st March 2018 stood at £75.01m, of which £43.22m related to Earmarked revenue reserves as shown below along with their projected usage over the 3 year planning period.

Table 11: Usable Reserves	17/18 £m	18/19 £m	19/20 £m	20/21 £m	21/22 £m
Specific	6.82	4.44	3.36	2.16	1.76
Smoothing	9.60	8.84	7.63	7.29	8.77
Business Rates Growth Pilot	6.69	9.19	9.19	2.49	2.49
Budget Support	5.33	4.95	2.32	1.72	1.72
Service C/fwd	4.56	2.23	1.18	0.10	0.10
Investment Fund	4.96	(2.48)	0.00	0.00	0.00
NDR Deficit/Levy	5.26	0.00	0.00	0.00	0.00
Earmarked Reserves	43.22	27.17	23.68	13.76	14.84
General Reserve	6.00	7.00	7.00	7.00	7.00
Capital Related Reserves	17.48	6.27	5.36	2.14	0.00
School Related Reserves	8.31	7.61	7.38	7.38	7.38
Total Usable Reserves	75.01	48.05	43.42	30.28	29.22
Provisions	42.59	42.59	42.59	42.59	42.59
Total Usable Reserves & Provisions	117.60	90.64	86.01	72.87	71.81

7.2.3 General Reserve: the Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure. In February 2018 Council agreed to set the minimum level of the General Fund Reserve at £6.00m as recommended by the Corporate Director of Finance and Systems. It is recommended for 2019/20 that this level be increased by £1.0m to £7.0m largely as a result of the risks from the Asset Investment Strategy and risk on business rate income as explained below:-

- The level of gross income receivable from the Asset Investment Strategy will exceed £8m in 2019/20 and whilst full due diligence has been undertaken for each investment there is still a risk to this income stream. A risk reserve is being built up but until this gets to a meaningful level allowance needs to be included in the general reserve.

- During 2018/19 business rate revenues suffered a small decline as a number of properties were removed from the list. The Council is still including for some significant levels of income in 2019/20 which could be under pressure if this decline in rateable values continues.

Table 12: Advised minimum level of General Reserve	2019/20 £m
Tax & Treasury Management	0.91
Pay & inflation	1.07
Fees and Charges	0.17
Emergency & Disaster Recovery	1.05
Efficiencies	1.60
Demand led budgets	1.00
Other Pressures	0.96
Funding Risk	3.73
TOTAL	10.49
Risk reduction of 34%	-3.49
Advisory level of minimum reserve	7.00

7.2.4 The Council holds other Earmarked reserves to fund both revenue and capital expenditure which are held primarily to fund known future commitments but also act as service contingencies for unexpected events and to cover future risks, which include:

Budget Smoothing and Support

- Budget Support: established in 2015/16 to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term. The balance stood at £5.3m at the end of 2017/18 and £385k was used to support the 2018/19 budget, leaving a balance of £4.9m at the end of the current financial year. The reserve will be bolstered in 2019/20 by £0.17m released from the prior year accumulated surplus on the Council Tax Collection Fund. In addition, a drawdown of £2.8m will be made from this reserve to support the budget in 2019/20, leaving £2.3m available for future years.
- Manchester Airport Investments Reserve: This reserve was established in 2015/16 from the surplus income over budget from our shareholder investment in the Manchester Airport Group (MAG). The initial intention of the reserve was to supplement the Budget Support Reserve and a figure of £1.25m was subsequently used to support the 2018/19 budget. The reserve was also bolstered in 2018/19 by £2.04m from the surplus dividend received. The Council is now placing an increased reliance on the range of MAG investments with £7.2m built into the 2019/20 revenue budget. It is intended that the balance of the Reserve be maintained at £2.04m to be used as a cushion against any downturn in the MAG performance, rather than supplementing the Budget Support Reserve.

- Business Rates Growth Pilot and Business Rates Rebate Reserves: both established in 2017/18 to hold the surplus funds generated from the Business Rates Growth Pilot and amounts redistributed from the GMCA. They were designed to cover volatility in the fluctuation of business rates and provide a cushion when the business rates system is reset in 2020/21. The balance on the Growth Pilot and Rebate Reserves at the end of 2017/18 stood at £1.69m and £5.0m respectively. The Growth Pilot Reserve has been increased in 2018/16 by £2.5m following a redistribution of resources from GMCA, leaving an overall estimated balance of £9.2m at the end of the current financial year. It is intended to draw down £6.7m in 2020/21 to part cushion the impact of the full reset of the business rate retention scheme.
- Asset Investment Fund Risk Reserve: Each strategic property investment business case includes an amount to be set aside to cover any unexpected circumstances, such as lost rental income or a delay in any redevelopments. This reserve, established in 2018/19, will accumulate a sufficient balance over a period of time to absorb these risks

Directorate

- Specific: mainly consists of the Insurance Reserve to cover potential future claims as a result of past events, the Employment Rationalisation Reserve for the costs of severance and related costs of structural change over and above the revenue budget provision and Transformation Reserve.
- Smoothing: established to reduce or smooth out volatility in the revenue budget where normal operating expenditure is not always similar year-on-year, mainly to dampen variations to the Waste Levy.
- Service Carry Forward: represents accumulated savings on directorate budgets in previous years. These amounts are anticipated to be utilised to support expenditure on transformational projects.

Strategic Priority

- Investment Fund: established in 2016/17 from revising the MRP policy, setting aside £9.93m between the years 2016/17 to 2019/20 and this has been committed to support the strategic investment in Manchester Airport Group in 2018/19 which should deliver a sustainable income stream which will assist in balancing the overall budget.

7.2.5 Statutory or Specific purposes only:

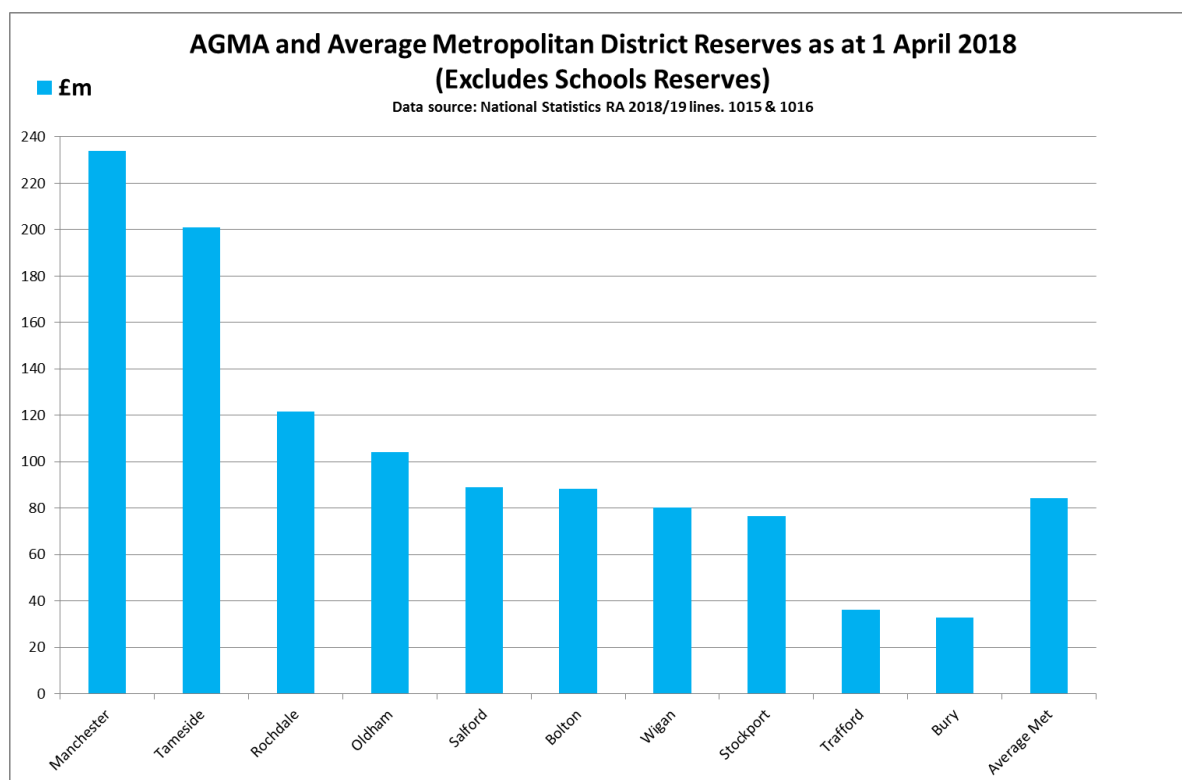
- Capital reserves: consist of capital receipts, grants and contributions which can only be used to fund capital expenditure and are all allocated to support the current capital programme
- Schools reserves: represent the carry forward balances of individual school surpluses & deficits

7.2.6 Balancing the annual budget by drawing on Earmarked reserves may be viewed as a legitimate short-term option but it is not prudent for these

reserves to be deployed to finance recurrent expenditure. Holding these types of reserves is primarily to assist in cushioning the effects of financial shocks and aids resilience. In 2016/17, a Budget Support Reserve was established to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term.

7.2.7 Where possible the strategy has been to bolster reserves in the last couple of years and this has been the case in 2018/19. This approach should act as a cushion for 2020/21 with the introduction of fairer funding and the business rate reset. A review of reserves will be undertaken to rationalise reserves with the objective of identifying approximately £1.8m which is the estimated amount required to cover short term borrowing costs and the commercial impact on Trafford Leisure as a result of the planned investment (Executive report October 2018). Provision has also been made in reserves for short term borrowing costs associated with the phasing of the 2019/22 capital programme to be met from the interest rate smoothing reserve. Also during 2018/19 unused contingency of £0.6m was transferred to a new education high needs reserve which will be utilised during 2019/20 to support the pressure on costs with the High Needs budget.

7.2.8 The level of Reserves the Council holds is in part reflective of the past funding levels of a council in comparison to its need to spend. Holding reserves can assist in cushioning the effects of financial shocks and aid resilience. It should be noted that, as the lowest funded Council in Greater Manchester, Trafford also faces the challenge of having accumulated the second lowest level of earmarked reserves.



Data source: National Statistics: Local authority Revenue Account (RA) expenditure and financing England: 2018 to 2019 budget individual local authority data:

7.3 Summary

- 7.3.1 It is worth noting that whilst the 2019/20 budget proposals in the report include provision for £2.8m of support from the Budget Support Reserve, an amount of £4.5m has been added to reserves during 2018/19 (£2m Manchester Airport Dividend Reserve and £2.5m Business Rate Growth Pilot Reserve) to support future budget plans and mitigate the risk of future funding uncertainty.
- 7.3.2 It is a requirement of the Local Government Act 2003 for the Council's Corporate Director of Finance and Systems to give an opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level 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.
- 7.3.3 Members' attention is drawn to the statement by the Corporate Director of Finance and Systems attached at Annex G, which should be taken into account before approving the budget together with the comments made in paragraphs below.
- 7.3.4 In determining the budget for the forthcoming year there are important decisions about the use of reserves, and given the uncertainty surrounding 2020/21, reserves levels will be increased where possible.
- 7.3.5 The planned use of £2.8m of general reserves to support the budget is a one-off source of funding and therefore the budget gap in 2020/21 increases by this amount.

8. SCHOOLS FUNDING & BUDGETS 2019/20

8.1 Background

8.1.1 Schools are funded from ring-fenced grants, the most notable of which is the Dedicated Schools Grant (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. The DSG can be divided into four main areas:

- Schools Block (SB) - approximately £163m which essentially funds schools' budgets. This includes £70m for academies. A National Funding Formula (NFF) was introduced in 2018/19. It was intended that there would be a 'soft' formula for 2 years where the NFF is used to set notional budgets for each school which will be aggregated to give the total schools block. After being consulted, Trafford schools and Funding Forum opted to use the NFF rates from 2018/19 and 2019/20. It was the Government's intention that a 'hard' formula be introduced in 2020/21, but this has been delayed for at least a further year.
- Central Schools Services Block (CSSB) – £1.5m. This block reflects the ongoing local authority role in education and is reducing year by year.
- High Needs Block (HNB) – provisional allocation £26m which primarily supports Special Educational Needs (SEN) expenditure. This includes £12m to fund Trafford Special Schools.
- Early Years Block (EYB) - approximately £17m, which funds educational, provision for 2 to 5 year olds in both LEA Schools and Private, Voluntary and Independent (PVI) settings.

8.1.2 DSG allocations for 2019/20 have been announced and whilst a further revision to the 2019/20 figures will be made to reflect the high needs deduction made by the ESFA and an import/export adjustment, at this stage they indicate a £8.51m increase on 2018/19.

Table 13: DSG Allocations	2018/19 £m	2019/20 £m	Difference £m
Schools Block	155.603	162.829	7.226
Central School Services Block	1.558	1.546	-0.012
High Needs Block	25.028	26.323	1.295
Early Years Block	16.796	16.797	0.001
Total	198.985	207.495	8.510

8.1.3 The increase in the Schools Block represents:-

- Pupil number increases of 171 in the primary sector and 453 in the secondary sector;
- A 1% per pupil increase for each school in 2019/20 through the NFF compared to the 2017/18 baseline;

- The minimum per pupil funding levels have increased to £3,500 for all primary schools and £4,800 for all secondary schools that have pupils in years 10 and 11; and
- The gains cap has increased so that schools can attract gains of up to 6.09% against their 2017/18 baselines (the minimum per pupil levels are not gains capped).

8.1.4 The increase in the High Needs Block is due to:-

- A funding floor which ensures all local authorities will attract at least 1% allocation gains compared to 2017/18 baselines (£499k);
- An increase in special school places (£202k); and
- Additional funding announced in December 2018 (£594k).

8.1.5 Other grants received by schools include Pupil Premium Grant (PPG) of £5m which is intended to bridge the attainment gap for pupils in receipt of free school meals and pupils who are or have been in care. In addition to this there is the Universal Infant Free School Meals Grant £3m, 6th Form Funding £1.7m and PE and Sports Grant £1.1m.

8.2 Summary Position 2018/19

8.2.1 The latest monitoring position reflected in the period 8 budget monitor indicated a £598k under spend in 2018/19. This is due to the receipt of additional High Needs Block funding received in December 2018 in recognition of the cost pressures that LAs are experiencing.

Table 14: P8 monitoring	2018/19 Budget £m	2018/19 Expected Outturn £m	Difference £m
Schools Block	155.603	154.771	0.832
Central School Services Block	1.558	1.495	0.063
High Needs Block	25.623	26.074	(0.451)
Early Years Block	16.796	16.642	0.154
Total	199.580	198.982	0.598

8.2.2 The level of central DSG reserve at 1 April 2018 was £929k and whilst the majority is ring-fenced to support specific items of expenditure, the balance will be available to support the pressures in the High Needs budget in 2018/19.

Table 15: Analysis of DSG Reserve 2018/19	
	Reserves £
Reserve as at 31st March 2018	928,657
Schools Block	
Growth Fund	(77,000)
Primary Targeted	(60,000)
De-delegation	(160,378)
Early Years	(462,675)
Available Reserve	168,604

8.3 High Needs Block (HNB)

8.3.1 On 23 July 2018 a report was taken to Executive following consultation with schools which identified a number of measures to help balance the high needs budget in 2018/19. Since 2015/16 the high needs budget has been overspent by £1.827m despite various attempts that have been made to control expenditure. Whilst the Department for Education has protected funding in this area in cash terms, the budget has not been adjusted to reflect:-

- **The rising number of children and young people requiring additional support.** Government figures show there were over 30,000 more children in 2017 with statements or Education, Health and Care (EHC) plans than in the previous year.
- **Greater local authority responsibilities to support young people with SEND,** aged between 16 and 25, following the SEND reforms introduced through the Children and Families Act 2014. There have been significant increases in the number of 16-25 year olds with a statement of SEN or an EHC plan since 2014.
- **A trend towards many more children being placed in special schools.** The number of children in special schools rose by 12.5% between 2014 and 2017.

8.3.2 The funding gap in 2018/19 was £1.241m and has been addressed by a combination of:

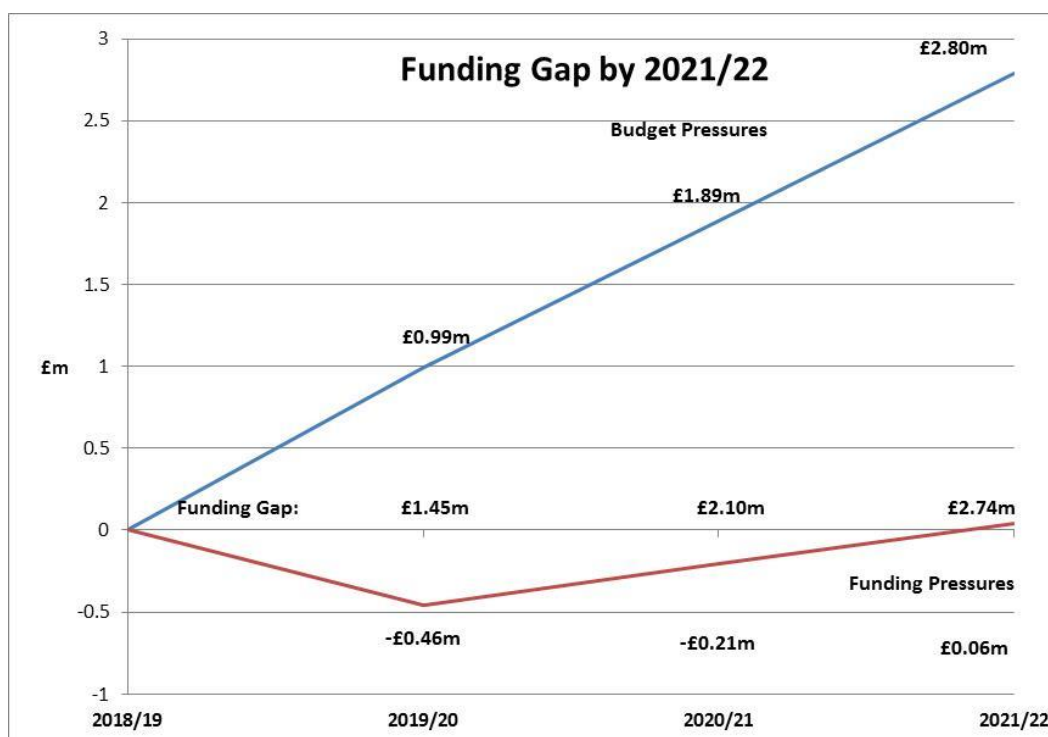
- 0.5% top-slice of the schools block (£778k) as agreed by the Education and Skills Funding Agency (ESFA) equivalent to £21.62 per pupil;
- additional savings proposals totalling £248k; and
- application of reserves £215k.

8.3.3 The use of reserves and the 0.5% top-slice from the schools block are not permanent measures to address the shortfall in 2018/19 and therefore the requirement to make recurrent savings to bridge the gap are carried forward to later years.

8.3.4 A full review of assumptions has been undertaken to identify the funding gap over the period 2019/20 to 2021/22. This has identified a gap of £2.7m by

2021/22, comprising additional expenditure pressures of £2.8m offset by net funding increases over the period of £0.1m. This gap has increased by £0.6m since the draft budget stage due to:-

- Increase cost of out of borough placements caused by increasing complexity (£0.6m). This is because there has been a 13.7% increase in the number of young people with an EHCP since January 2018, there are now 1,813 EHCPs. This is partly due to the extension of the age range to 25 years and is placing significant pressure on the provision of support in borough. There are 29 more young people aged 20 to 25 with an EHCP when compared to June 2018. The figure for the 16 to 19 age group has risen from 306 to 457 in the same period. The rise in the number of young people age 20+ now staying in education is having a big impact on the budget as these young people have the most complex needs and require the highest levels of support and funding.



8.3.5 The main budget assumptions and their financial impact over the period include:-

- An uplift in complexity of need leading to a rise in special school top-ups (No assumption has been made for any further growth in place numbers (£0.6m)
- Continued increase in the level of SEN delegation payments to schools (1.0m)
- Increased costs of home tuition for those pupils unable to attend school (£0.1m)
- Increased cost of out of borough placements caused by increasing complexity (£0.6m)

- Inflationary cost increases on out of borough placements, pay, running costs of the additional small specialist class and other small adjustments (£0.5m)
- Additional DSG grant of £1.1m, representing a confirmed increase of 2% in 2019/20 and estimated increases of 1.0% in 2020/21 and 2021/22, offset by the reversal of reserves and one-off funds required to support the budget gap in 2018/19 (£1.0m).

8.3.6 A Task & Finish group has been established to look at options to 'bridge the gap' and includes school representatives, parent representatives as well as council education and finance officers.

8.3.7 A further top-slice of 0.5% from the schools block for 2019/20 was approved by Funding Forum in October 2018. This is possibly going to be the final year this can be requested and will afford time to plan any measures effectively to understand the implications on individual schools and service users and other aspects of the Council's budget.

Table 16: Proposal for meeting the budget gap in 2019/20	
	£m
Budget Gap	1.45
Proposed 0.5% Schools Block top-slice	(0.81)
Continuing Savings Programmes from 2018/19	(0.05)
Council Funding	(0.59)
Remaining Gap	Nil

8.3.8 To avoid the need to reduce SEN services and support, the Council will contribute £0.59m to supplement the agreed top slice of the schools block. The proposed financing of the budget in 2019/20 will mean that the additional high needs grant received in 2018/19 and 2019/20 of £1.19m will be able to support any new investment, and supplemented by the SEN capital investment of £0.93m, will mean that the Council is better placed to introduce measures necessary to balance the high needs budget in later years.

8.3.9 An analysis of the 2019/20 budget is as follows:-

Table 17: DSG Allocations & Budget 2019/20	£m	£m
Schools Block Budget		
Allocated to schools	162.829	162.829
High Needs Block Budget		
Special Schools	12.179	
Sensory Impairment	1.172	
Speech Therapy	0.213	
SEN	5.109	
Out of Borough	6.259	
Notional SEN Contingency	0.427	
Behaviour & Attendance	0.336	
PRU's	1.092	
Post 16 FE Colleges	0.130	26.917
Early Years Block Budget	16.797	16.797
Schools Central Services	1.546	1.546
Total 2019/20 Schools Related Budgets		208.089
Schools Block Allocation	162.829	
Schools Central Services Block Allocation	1.546	
High Needs Block Allocation	26.323	
Early Years Block Allocation	16.797	207.495
Council's Contribution		0.594
Total 2019/20 Resourcing		208.089

9. COUNCIL TAX REQUIREMENT AND STATUTORY CALCULATIONS

9.1 Budget Requirement

9.1.1 The Local Government Finance Act 1992, as amended by the Localism Act 2011, 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 'relevant basic amount' of Council Tax, calculated by dividing the Council Tax Requirement by the council tax base (expressed in Band D's).

9.1.2 If the proposals in this budget report are agreed, the calculation for the 2019/20 Council Tax Requirement will be as follows:

LGFA 1992	Calculation of Council Tax Requirement & Relevant Basic Amount of Council Tax 2019/20	£
S 31A(2) (a) – (f)	Gross Expenditure Service expenditure	471,925,344
S 31A(3) (a, c, d)	Gross Income Fees, charges and specific grants Application of Budget Support Reserve (BSR) *	(301,988,839) (2,624,000)
	Budget Requirement (previous regulations)	167,312,505
(b)	Revenue Support Grant	0
(b)	Retained Business Rates Baseline Business Rates (Growth & S31 Grants) Collection Fund surplus (Business Rates)	(53,196,876) (12,110,414) (1,181,215)
(b)	Collection Fund surplus (Council Tax)	(1,324,352)
S 31A(4)	Council Tax Requirement	99,499,648
	Council Tax Base in Band D's	76,999
S 31B	Relevant Basic Amount of Council Tax	£1,292.22

* This includes a contribution from the BSR of £2.798m adjusted by a contribution to the BSR from the Council Tax Surplus of £0.174m.

9.1.3 The Corporate Director of Finance and Systems in accordance with her delegated powers approved the 2019/20 Trafford Council Tax Base (number of equivalent Band D properties in the borough) on 23 January 2019 at 76,999, which is a growth of 954 Band D equivalents on 2018/19. The 2019/20 Council Tax Base for the four Parish Councils were also approved as: Partington 1,577, Dunham Massey 234, Warburton 166 and Carrington 124.

9.2 Council Tax Increases

- 9.2.1 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 annually. For 2019/20 a figure of 6% has been set, which is a combination of the core principle of 3% and the ‘adult social care precept’ of 3%.
- 9.2.2 In addition in each of the financial years beginning with 2016/17 up to and including 2019/20, the Secretary of State offered authorities with adult social care responsibilities the option of increasing their ‘relevant basic amount’ of council tax by an additional 2% ‘adult social care precept’, to help pay for adult social care costs without breaching the referendum threshold.
- 9.2.3 In recognition of the pressures on adult social care services, within the Provisional 2017/18 Local Government Finance Settlement, the Government announced that adult social care authorities would have the flexibility to increase their ‘adult social care precept’ by up to 3% in each of the three years to 2019/20, but could not exceed 6% in total over the same three year period.
- 9.2.4 As highlighted elsewhere in this report, it is proposed to raise the level of council tax in 2019/20 by 3.99%:
- 2.99% general increase in the ‘relevant basic amount’, and
 - 1% for the ‘Adult Social Care’ precept (compared to the 3% increase in 2017/18 and 2% in 2018/19, giving a total of 6% over the 3 year period 2017/20).
- 9.2.5 The calculation of the percentage change in “Relevant Basic Amount of Council Tax”, for Trafford Services is shown below :

	2018/19	2019/20
Council Tax Base	76,045	76,999
Council Tax Requirement with Levies (£)	94,496,559	99,499,648
Basic Amount of Council Tax (£) (excluding Social Care Precept)	1,163.05	1,200.20
Social Care Precept	79.59	92.02
Relevant Basic Amount of Council Tax	1,242.64	1,292.22
% increase in Relevant Basic Amount of Council Tax	4.99%	3.99%

- 9.2.6 It is proposed to increase the ‘relevant basic amount’ of Council Tax by 3.99%, which is within the 6% figure set by Government in 2019/20 for social care authorities. As this remains in line with Government policy it would therefore not be deemed ‘excessive’ and as a result there is no requirement to hold a Referendum.
- 9.2.7 Of the two major precepting bodies, the Mayoral Police & Crime Commissioner is recommending a £24.00 increase in their Band D precept

and the Mayoral General Precept (including Fire Services) is proposing an increase of £9.00 on their Band D precept.

- 9.2.8 Partington Town Council, at its meeting on 10 December 2018, elected to keep the level of Band D Council Tax at £42.50, the same as 2018/19. However, Carrington, Dunham Massey and Warburton Parish Councils have all agreed not to set a Precept in 2019/20.

9.3 Council Tax Levels and Bandings

- 9.3.1 The overall Precepts and Council Tax levels for 2019/20 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 (inclusive of 'Adult Social Care Precept')	99,499,648	1,292.22	3.99%
Mayoral Police and Crime Commissioner (see note)	15,268,902	198.30	£24.00/ 13.77%
Mayoral General Precept (including Fire Services) (see note)	5,925,073	76.95	£9.00/ 13.25%
Total (excluding Parishes)	120,693,623	1,567.47	5.56%
Partington Precept	67,023	42.50	0%
Total for Partington		1,609.97	5.41%

- 9.3.2 Note: The Council Tax figures for the Mayoral Police and Crime Commissioner and Mayoral General Precept (including Fire Services) included above are recommended amounts and are subject to formal approval on 15th February 2019.

9.3.3 The council tax for 2019/20, inclusive of the 'adult social care precept', for each of the eight valuation bands would be as follows:

Band	Valuation range (in 1991 prices)	Council Tax (Excl. Parishes) £	Council Tax for Partington £
A	Up to £40,000	1,044.98	1,073.31
B	Over £40,000 and up to £52,000	1,219.14	1,252.20
C	Over £52,000 and up to £68,000	1,393.31	1,431.09
D	Over £68,000 and up to £88,000	1,567.47	1,609.97
E	Over £88,000 and up to £120,000	1,915.80	1,967.74
F	Over £120,000 and up to £160,000	2,264.12	2,325.51
G	Over £160,000 and up to £320,000	2,612.45	2,683.28
H	Over £320,000	3,134.94	3,219.94

BASE BUDGET ASSUMPTIONS

Base Budget Assumptions	2019/20 £m	2020/21 £m	2021/22 £m
Service Expenditure			
Pay: Inflation	2.0% to 7.3%	2.0%	2.0%
	£1.73	£1.32	£1.33
Pay: Pension Inflation	0.0%	0.5%	0.5%
	£0.00	£0.26	£0.26
Pay: Increments & Pension Auto-Enrolment	£0.06	£0.05	£0.05
Pay: Living Wage	£1.93	£1.57	£1.57
General Inflation: Prices *	0.0%	2.0%	2.0%
	£0.00	£0.28	£0.29
Contractual Obligations: Inflation Specific e.g. energy	£2.09	£1.91	£1.94
Levies: Waste (GMWDA) Levy Increase	£1.36	(£0.66)	(£0.50)
Demographics/Care Costs:	Children	£1.95	£1.00
	Adults	£3.29	£1.50
Treasury Management			
Investment Rates	0.70%	0.99%	1.20%
Debt Rates	2.50%	2.50%	2.50%
Funding			
Council Tax rate increase (Adult Social Care)	1.00%	0.00%	0.00%
Council Tax rate increase (Relevant Basic Amount)	2.99%	2.99%	2.99%
Council Tax base increase	1.25%	1.00%	1.00%
Change in Baseline Funding Level	(8.02)%	1.34%	1.35%
	£(4.63)	£0.72	£0.73

* General Inflation was assumed at 2%, however this will now be absorbed as part of the proposed budget saving in 2019/20.

Budget Movements & Proposals: Feb 2018 to Oct 2018

MOVEMENTS & PROPOSALS	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Budget Gap Before Feb18 Savings & Funding Proposals	10,606	9,129	0	19,735
Impact of loss of Transformation Funding	0	3,257	0	3,257
Pay Award +1% to 2% (previously assumed 1%)	0	730	1,671	2,401
Demographic Pressures Children's Services	500	500	2,500	3,500
Changes to Waste Levy Assumptions and Mandatory Recycling	203	152	507	862
TTH contribution to lifecycle replacement	116	0	0	116
Contractual Obligations and Inflation	281	199	2,227	2,707
Living Wage assumptions and re-phasing	200	(74)	1,572	1,698
Release of Council Tax Surplus to Budget Support Reserve	600	(600)	0	0
Additional cost of new pay structure	345	0	0	345
Waterside Arts Centre	100	0	0	100
Housing Benefit Overpayment Recovery (17/18 saving ending)	300	0	0	300
0.5% Pension saving assumed to stop in 19/20	350	0	0	350
Other changes in Budget Assumptions	483	(9)	70	544
CHANGES TO BUDGET ASSUMPTIONS	3,478	4,155	8,547	16,180
Additional Business Rates Growth 17/18 Released in 19/20	(1,181)	1,181	0	0
Increase in Council Tax Base (number of properties)	0	0	(501)	(501)
Increase in growth in Council Tax Base to 1% (previously 0.5%)	(491)	(527)	(571)	(1,589)
Release of Prior Year Council Tax Surplus	(600)	600	0	0
Changes in Bus Rate Assumptions (including Reset)	283	7,995	(731)	7,547
CHANGES TO FUNDING (NON POLICY CHOICE)	(1,989)	9,249	(1,803)	5,457

MOVEMENTS & PROPOSALS	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Reinstate Adult Social Care Precept increase 1%	(950)	0	0	(950)
General Increase in basic Council Tax to 2.99%	(2,839)	(2,973)	(3,080)	(8,892)
Contribution from Budget Support/ Business Rate Smoothing Reserves	0	(7,300)	7,300	0
CHANGES TO FUNDING (POLICY CHOICE)	(3,789)	(10,273)	4,220	(9,842)
Additional income Green Waste Charges	(395)			(395)
CCTV New Trading Model	(15)			(15)
Strategic Investment Income	(214)			(214)
Net Income from Invest Props	871	(150)		721
Existing Income Proposals Feb 17	247	(150)		97
Net Income from Invest Props (identified)	(1,500)	(400)	1,900	0
Increase in Strategic Investment Income	(1,500)	(500)		(2,000)
Review of Car Parking charges	(84)	(73)		(157)
Environmental Health - Increase Fee Income (various)	(27)	(5)	(5)	(37)
Licensing - knowledge test charge	(20)			(20)
Total New Income Proposals Oct 2018	(3,131)	(978)	1,895	(2,214)
INCOME PROPOSALS (Oct 18)	(2,884)	(1,128)	1,895	(2,117)
Mandatory Recycling	(161)			(161)
Early Repayment of Suppliers Discount	(50)	(100)		(150)
Total Existing Saving Proposals (updated Oct 18)	(211)	(100)	0	(311)
Reduction in Insurance costs	(50)			(50)
Reduction in External Children's Home Use (4 children from OOB to in-house provision)	(371)			(371)
Creation of New Post 16 Accommodation (increasing internal provision)	(202)			(202)
Let's Talk	(160)			(160)
Right Care For You	(200)			(200)
Adults Re-assessments	(200)			(200)
Development Management (Planning Performance Agreements - cost recovery)	(35)			(35)

MOVEMENTS & PROPOSALS	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Strategic Planning - Remove Greenspace funding contingency budget	(40)			(40)
Allotment Services - removal of subsidy	(20)			(20)
Environmental Health - Reduce budget of dog warden service	(5)			(5)
Customer Services - reduce contact centre opening hours	(21)			(21)
Legal - CCG legal costs	(10)			(10)
Legal - appoint litigation solicitor/reduce external costs	(20)			(20)
Housing Strategy - reduce running costs	(10)			(10)
Partnerships - use of smoothing reserve - one off	(100)	100		0
New Strategic Investment			(250)	(250)
STAR contribution	(36)			(36)
Reinstate saving GMPF Reduced Allowance for Early Retirements	(350)			(350)
Advance Pension Payment		(757)		(757)
Remove General Inflation provision	(218)			(218)
Reduce General Contingency	(600)			(600)
Debt Restructure savings	(200)			(200)
Total New Savings Proposals Oct 18	(2,848)	(657)	(250)	(3,755)
SAVING PROPOSALS (Oct 18)	(3,059)	(757)	(250)	(4,066)
TOTAL INCOME AND SAVINGS PROPOSALS	(5,943)	(1,885)	1,645	(6,183)
REVISED BUDGET GAP AT DRAFT (Oct18)	2,363	10,375	12,609	25,347

2019/20 Movements Between Draft Budget (Oct 2018) & Final (Feb 2019)

MOVEMENTS & PROPOSALS	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
REVISED BUDGET GAP AT DRAFT (Oct18)	2,363	10,375	12,609	25,347
Reversal of one off saving from Housing Benefit Reserve	0	400	0	400
Increase in New Homes Bonus	(355)	0	0	(355)
Additional resource £946k and cost Winter Pressures (grant and exp. net nil) shown for completeness	0	0	0	0
Additional Resource for social care pressures (to avoid impact on NHS)	(1,616)	0	0	(1,616)
Budget pressures Children's Services (Children's Placements)	1,014	0	0	1,014
Budget pressures Children's Services (Home to School Trans)	550	0	0	550
Budget pressures Adult Services	1,504	0	0	1,504
Increase in borrowing costs Cap Programme 19/20	200	0	0	200
Changes to Waste Levy Assumptions	(105)	300	0	195
Removal of Green Waste Charge (loss of Prior year income/ increase Levy)	1,405	0	0	1,405
Transfer Council Tax Surplus to Budget Support Reserve	(426)	426	0	0
Changes to Transport Levy	(421)	421	0	0
Additional contingency for public health and wellbeing	1,000	0	0	1,000
Move to Microsoft Office 360	250	0	0	250
STAR contribution reduce savings from 19/20		18		18
Sale Waterpark	100			100
Child in Need POC	74			74
SEND Grant ending	140			140
Further re-phasing of Regent Road Car Park delay	100	(100)		0
Re-phasing of Regent Road Car Park, delay in rates	(7)	7		0
CHANGES TO BUDGET ASSUMPTIONS	3,407	1,472	0	4,879

MOVEMENTS & PROPOSALS	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Increase in Council Tax Base further 0.25% to 1.25%	(251)	(11)	(8)	(270)
Additional release of accumulated Council Tax Surplus	(424)	424	0	0
Changes in Bus Rate Assumptions (inc. Reset)	(1,385)	1,280	(1)	(106)
CHANGES TO FUNDING (NON POLICY CHOICE)	(2,060)	1,693	(9)	(376)
Contribution from Budget Support/ Business Rate Smoothing Reserves	(2,798)	2,798	0	0
CHANGES TO FUNDING (POLICY CHOICE)	(2,798)	2,798	0	0
Property Investment Strategy	(585)	281	34	(270)
MAG Loan Investment Income	(200)	0	183	(17)
Remove Expected Additional Income from Green Waste	395	0	0	395
CHANGES TO INCOME PROPOSALS	(390)	281	217	108
Savings in Public Health	0	(1,000)	0	(1,000)
Housing Ben Overpayment recovery	(400)	0	0	(400)
Realignment of AGMA Levy Budgets	(154)	0	0	(154)
Reduce savings Early Repayment of Suppliers Discount	40	90	(10)	120
Treasury Management Savings (LOBO Loan)	(100)	0	0	(100)
GMFP Reduced Allowance for Early Retirements (Reduce reinstated savings)	122	0	0	122
Members Telephony	(30)	0	0	(30)
CHANGES TO SAVING PROPOSALS	(522)	(910)	(10)	(1,442)
TOTAL CHANGES TO INCOME AND SAVINGS PROPOSALS	(912)	(629)	207	(1,334)
REVISED BUDGET GAP (Feb 19)	0	15,709	12,807	28,516

Business Rates Retention GM Pilot
Annex C
Business Rates Benefit Calculation 2018/2019 to 2021/2022

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Gross Rates Payable	182,565,243	184,114,380	187,864,164	191,613,948
Transitional Adjustments and Mandatory & Discretionary Reliefs	(15,865,758)	(18,530,213)	(18,900,818)	(19,278,834)
NET RATES PAYABLE	166,699,485	165,584,167	168,963,346	172,335,114
Accounting Adjustments (Appeals & BDP) & Cost of Collection	(12,636,373)	(10,028,942)	(13,017,142)	(13,277,073)
NNDR Income	154,063,112	155,555,225	155,946,205	159,058,041
Local Share	152,522,481	153,999,672	154,386,743	157,467,460
Tariff	(87,609,184)	(94,589,988)	(96,829,040)	(99,112,873)
Retained Business Rates	64,913,297	59,409,684	57,557,703	58,354,587
Baseline Funding Level (BFL)	57,725,323	53,196,876	53,913,561	54,644,581
Growth	7,187,974	6,212,808	3,644,142	3,710,006
SAICA Renewable Energy	80,952	81,648	83,281	84,947
Section 31 Compensation Grants	7,299,896	10,501,619	10,232,110	10,383,731
National Levy Rebate		549,761	0	
Growth/(Decline) to Baseline	14,568,822	17,345,836	13,959,533	14,178,684
GM Pilot 'No Detriment' Over Payment	(9,348,524)	(10,470,846)	(8,634,565)	(8,776,710)
GM Pilot 'No Detriment' Over Payment Rebate	4,674,262	5,235,423	4,317,282	4,388,355
Business Rates Benefit over BFL	9,894,560	12,110,413	9,642,250	9,790,329
Release of Prior Year Surplus *		1,181,215		
Business Rates Growth Reset			(9,557,697)	(9,704,086)
Business Rates Benefit	9,894,560	13,291,628	84,553	86,243





* Excludes the collection of the 2018/19 estimated deficit and reserve contribution as detailed in paragraph 3.2.2.

Total Benefit from Business Rates

	2018/19 £000	2019/20 £	2020/21 £	2021/22 £
Core Baseline Funding	35,031,470	35,834,275	36,550,960	37,281,979
Revenue Support Grant	10,302,853	5,298,601	5,298,601	5,298,601
Public Health Grant	12,391,000	12,064,000	12,064,000	12,064,000
Total Baseline Funding Level	57,725,323	53,196,876	53,913,561	54,644,580
Business Rates Benefit	9,894,560	13,291,628	84,553	86,243
Total Benefit PLUS Baseline Funding	67,619,883	66,488,504	53,998,114	54,730,823
Yearly Change				
Change in BFL		(4,528,447)	716,685	731,019
Change in Business Rates Benefit		3,397,068	(13,207,075)	1,690
Yearly Change		(1,131,379)	(12,490,390)	732,709









Total reduction in Business Rates -£1.13m-£12.49m+£0.73m = -£12.89m




Income Proposals 2019/22

Priority	Service Area	Description of Saving	2019/20 £000's	2020/21 £000's	2021/22 £000's	Impact of Saving (e.g. service, equality, other)
	PLACE	Review of Car Parking charges	(84)	(73)		Review of fees from April 2019 - 50p half hour, £1 up to 2 hours, £2 up to 4 hours, £4 up to 5 hours, £5 over 5 hours. Extension of charging times to 8pm from April 2020 (subject to consultation).
	PLACE	Environmental Health - Increase Fee Income (various)	(27)	(5)	(5)	Income already being received above current budget – e.g. HMO licences, costs recoverable from third parties.
	PLACE	Licensing – taxi knowledge test charge	(20)			New charges to be introduced for the recently agreed changes to the new driver application process. All new applicants will need to pass a knowledge test.
	CENTRAL	CCTV New Trading Model	(15)			On-going saving from 2017/18. Relates to the trading of CCTV services to generate income.
£	CW	Manchester Airport Group (MAG) Core Shareholder Investment	(1,500)	(500)		Additional airport dividend reflecting growth in dividend payments received in last three years.
£	CW	Asset Investment Strategy	(1,214)	(269)	1,934	Estimated income in the form of new rents and loan repayments from assets held as part of the Council's new investment portfolio, net of MRP payments.

Priority	Service Area	Description of Saving	2019/20 £000's	2020/21 £000's	2021/22 £000's	Impact of Saving (e.g. service, equality, other)
£	CW	Strategic Investments	(414)		(67)	Loan interest receivable from strategic investments in the expansion of Manchester Airport.
Total Income Proposals			(3,274)	(847)	1,862	

Savings Proposals 2019/22

Priority	Service Area	Description of Saving	2019/20 £000's	2020/21 £000's	2021/22 £000's	Impact of Saving (e.g. service, equality, other)
	CHILDREN	Reduction in External Children's Home Use (4 children from OOB to in-house provision)	(371)			Children currently placed outside of the borough of Trafford will be moved closer to home and into provision in a family setting.
	CHILDREN	Creation of New Post 16 Accommodation (increasing internal provision)	(202)			Children will be placed closer to home enabling existing relationships to continue, disruption of relocation to unfamiliar settings will be avoided.
	CHILDREN	Remove General Inflation provision	(22)			Any increase in costs to be managed within existing budgets.
	ADULTS	Right Care For You	(200)			The project will reduce the demand for homecare hours within the borough through the use of specialised equipment.
	ADULTS	Adults Re-assessments	(200)			Care packages will be reassessed to ensure that provision is at optimum levels.
	ADULTS	Let's Talk	(160)			As a result of a culture change effecting service delivery, some care packages are to be avoided with client wishes to be at the forefront of Social Care decision making.
	ADULTS	Remove General Inflation provision	(9)			Any increase in costs to be managed within existing budgets.
	Public Health	Review of Public Health budgets		(1,000)		A review of PH related commissioning budgets in order to align with PH resource allocations.

Priority	Service Area	Description of Saving	2019/20 £000's	2020/21 £000's	2021/22 £000's	Impact of Saving (e.g. service, equality, other)
✓	PLACE	Increased Recycling of Waste	(161)			Part of the ongoing programme to reduce waste disposal costs through increased recycling. This will be achieved through a range of initiatives, such as targeting food waste recycling, recycling levels of flats/houses of multiple occupation, improving education/awareness and, where necessary, stricter enforcement.
	PLACE	Strategic Planning - Remove Greenspace funding contingency budget	(40)			Contingency for failed funding bids not been required in recent years and can be removed.
£	PLACE	Development Management (Planning Performance Agreements - cost recovery)	(35)			Review of discretionary fees to achieve full cost recovery.
	PLACE	Allotment Services - removal of subsidy	(20)			Service has recovered its costs from income in recent years through improved efficiency and Council subsidy is no longer required.
	PLACE	Housing Strategy - reduce running costs	(10)			Minor running cost budgets can be reduced based on current spend levels.
✓	PLACE	Environmental Health - Reduce budget of dog warden service	(5)			Spend has been below budget in recent years.
£	PLACE	Remove General Inflation provision	(68)			Any increase in costs to be managed within existing budgets.
£	CENTRAL	Use of smoothing reserve - one off	(100)	100		Reserves already held can be utilised as a one-off in 19/20 to release base budget.

Priority	Service Area	Description of Saving	2019/20 £000's	2020/21 £000's	2021/22 £000's	Impact of Saving (e.g. service, equality, other)
£	CENTRAL	STAR Procurement contribution	(36)			Due to the growth of a successful procurement collaboration with Stockport, Tameside and Rochdale Councils.
£	CENTRAL	Legal - appoint litigation solicitor/reduce external costs	(20)			Appoint additional internal staff to reduce reliance on and costs of external providers
£	CENTRAL	Customer Services - reduce contact centre opening hours	(21)			Contact centre hours reduced from 8am - 7pm to 8.30am – 5.30pm. This is in line with most of GM.
£	CENTRAL	Legal - CCG legal costs	(10)			Recovery of legal costs from CCG
£	CENTRAL	Remove General Inflation provision	(117)			Any increase in costs to be managed within existing budgets.
£	CW	Reduce General Contingency	(600)			Review of Contingency budget requirements.
£	CW	Housing Benefit Overpayment recovery	(400)			New target set for the recovery of housing benefit overpayments.
£	CW	Reinstate saving GMPF Reduced Allowance for Early Retirements	(228)			Reduction of the risk reserve held with the pension fund as a result of fewer planned redundancies.
£	CW	Debt Restructure savings	(300)			Debt savings generated from replacing a £20m Lender Option Borrower Option (LOBO) high rated debt with low rated Public Works Loan Board (PWLB) debt in 2018/19 generating a net saving after costs.
£	CW	Re-alignment of AGMA budgets	(154)			Re-alignment of AGMA budget contributions across services has identified surplus over requirements.
£	CW	Reduction in Insurance costs	(50)			Reduction in Insurance budget to reflect lower Provision required following latest Underwriters report.
£	CW	Members telephony budget	(30)			Budget saving as new technology and competition drives costs down.

Priority	Service Area	Description of Saving	2019/20 £000's	2020/21 £000's	2021/22 £000's	Impact of Saving (e.g. service, equality, other)
£	CW	Early Repayment of Suppliers Discount	(10)	(10)	(10)	Review of Accounts Payable processes to maximise potential supplier discounts.
£	CW	Advance Pension Payment		(757)		Three years advance payment of pension contributions to achieve efficiency saving.
£	CW	Remove General Inflation provision	(2)			Any increase in costs to be managed within existing budgets.
Total Savings Proposals			(3,581)	(1,667)	(10)	
Total Income and Savings Proposals			(6,855)	(2,514)	1,852	

Our Priorities



Building Quality, Affordable and Social Housing

Trafford has a choice of quality homes that people can afford



Health and Wellbeing

Trafford residents health and Well-Being is improved and Reducing Health Inequalities



Successful and Thriving Places

Trafford has successful and thriving town centres and communities



Children and Young People

All Children and Young People in Trafford will have a fair Start



Pride in Our Area

People in Trafford will take pride in their Local Area



Green and Connected

Trafford will maximise its Green Spaces, Transport and Digital Connectivity



Targeted support

People in Trafford will get support when they need it most

2019/20 Subjective Budget Analysis

	CHILDREN & ADULTS £000's	PLACE £000's	CENTRAL £000's	COUNCIL- WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
NET BUDGET Brought Forward	92,607	23,843	17,101	30,694	0	164,245
<u>Budget Pressures :</u>						
Pay	722	136	732	241		1,831
Living Wage	1,605	50	274	0		1,929
General Inflation	31	68	117	2		218
Contractual Inflation & Obligations	1,165	807	145	0		2,117
Levies	0	8,527	0	(7,167)		1,360
Demographics/ Care Costs	5,235	0	0	0		5,235
Grants, Legislative & Service Transfers	(4,295)	0	0	(779)		(5,074)
Loss of Income	0	55	0	0		55
Treasury Management	0	0	0	(220)		(220)
Policy Choice Investment	0	0	0	0		0
Other	762	1,781	404	2,148		5,095
Total Budget Pressures	5,225	11,424	1,672	(5,775)		12,546
<u>Budget Savings</u>						
Income Generation	0	(131)	(15)	(3,128)		(3,274)
Savings Proposals, Efficiencies & Policy Choice	(1,164)	(339)	(304)	(1,774)		(3,581)
Total Approved Budget Proposals	(1,164)	(470)	(319)	(4,902)		(6,855)
PROPOSED NET BUDGET	96,668	34,797	18,454	20,017	0	169,936
<u>Funding:</u>						
Council Tax					(95,682)	(95,682)
Council Tax - 2.99% General Increase					(2,861)	(2,861)
Council Tax - 2% Adult Social Care Increase					(957)	(957)
C Tax Prior Year Collection Fund (Surplus)/Deficit					(1,324)	(1,324)
Business Rates: Local Share					(147,787)	(147,787)
Business Rates: Tariff Payment					94,590	94,590
Business Rates: Growth Assumptions, S31 Grants, GM Pilot					(13,291)	(13,291)
Funding Total					(167,312)	(167,312)
PROPOSED FUNDING					(167,312)	(167,312)
<u>Additional Use of Reserves:</u>						
Budget Support Reserve					(2,624)	(2,624)
Movement in Reserves Total					(2,624)	(2,624)
FUNDING FROM RESERVES					(2,624)	(2,624)
BUDGET GAP						0

2019/20 Objective (Service) Budget Analysis

DIRECTORATE	SERVICE EXPENDITURE ANALYSIS	Net Budget 2018/19 £000's	Proposed Net Budget 2019/20 £000's
Children's Service	Children with Complex and Additional Needs	1,166	1,486
Children's Service	Commissioning	1,589	1,615
Children's Service	Children's Social Services	21,929	23,701
Children's Service	Education and Early Years' Service	5,171	6,123
Children's Service	Early Help	571	602
Children's Service	Safeguarding and Front door	1,697	1,721
Children's Service	Youth Offending Service	170	179
Children's Service	DSG	0	0
Children's Service	Sub-Total	32,293	35,427
Adults Service	Client Costs	44,177	49,043
Adults Service	BCF and Other grants	(8,987)	(13,617)
Adults Service	Assistive Equipment and Technology	990	1,075
Adults Service	Social Care Activities - Care Management	10,138	10,584
Adults Service	Commissioning and service delivery	1,755	1,916
Adults Service	Public Health	12,240	12,240
Adults Service (incl. Public Health)	Sub-Total	60,313	61,241
Place - Environmental, Technical & Property Services	One Trafford Partnership	12,945	15,161
Place - Environmental, Technical & Property Services	Street Lighting Energy	766	839
Place - Environmental, Technical & Property Services	Media Advertising	(817)	(816)
Place - Environmental, Technical & Property Services	Waste Disposal Levy	8,342	16,808
Place - Environmental, Technical & Property Services	Strategic Management	515	522
Place - Economic Growth & Planning	Economic Growth & Planning	1,551	1,621
Place - Economic Growth & Planning	Public Protection & Enforcement	913	918
Place - Economic Growth & Planning	Parking Services	(1,118)	(1,099)
Place - Economic Growth & Planning	Strategic Support Services	746	843
Place	Sub-Total	23,843	34,797

DIRECTORATE	SERVICE EXPENDITURE ANALYSIS	Net Budget 2018/19 £000's	Proposed Net Budget 2019/20 £000's
Governance and Community Strategy	Legal & Democratic Services	2,799	2,878
Governance and Community Strategy	Access Trafford	2,848	2,908
Governance and Community Strategy	Partnerships and Communities	1,495	1,409
Governance and Community Strategy	Culture and Sport incl. Waterside Arts Centre	587	696
Governance and Community Strategy	Directorate Wide Efficiency - G&CS	(260)	(189)
Governance and Community Strategy	Sub-Total	7,469	7,702
Finance and Systems	Finance Services	5,065	5,221
Finance and Systems	ICT Services	2,172	2,499
Finance and Systems	Transformation	0	0
Finance and Systems	Directorate Wide Efficiency -F&S	(283)	(206)
Finance and Systems	Sub-Total	6,954	7,514
People and Traded Services	Human Resources	2,339	2,413
People and Traded Services	Communications	265	291
People and Traded Services	Executive	312	313
People and Traded Services	School Crossing Patrols	406	490
People and Traded Services	Bereavement Services	(740)	(732)
People and Traded Services	Catering & Cleaning Traded Services	162	403
People and Traded Services	Music Service	126	188
People and Traded Services	Directorate Wide Efficiency - People	(190)	(128)
People and Traded Services	Sub-Total	2,680	3,238
TOTAL SERVICE BUDGETS		133,552	149,919

DIRECTORATE	SERVICE EXPENDITURE ANALYSIS	Net Budget 2018/19 £000's	Proposed Net Budget 2019/20 £000's
Council-Wide Service	Transport Levy	23,656	15,788
Council-Wide Service	Flood Defence	143	146
Council-Wide Service	Coroner's & Mortuary	684	744
Council-Wide Service	AGMA/ Other	15	341
Council-Wide Service	Contingencies, Provisions and Corporate savings	3,609	4,573
Council-Wide Service	Interest Receivable (incl. Airport Dividend)	(4,406)	(6,193)
Council-Wide Service	Loan Debt (principal and interest)	7,445	6,546
Council-Wide Service	Property Investment Fund	(1,198)	(2,411)
Council-Wide Service	Insurance	803	753
Council-Wide Service	Members Expenses	868	854
Council-Wide Service	Other Centrally held budgets	1,304	1,194
Council-Wide Service	Central Grants	(2,229)	(2,318)
Council-wide Budgets	Sub-Total	30,694	20,017
PROPOSED NET BUDGET		164,246	169,936

**REPORT of the CORPORATE DIRECTOR OF FINANCE AND SYSTEMS
to the COUNCIL 20 FEBRUARY 2019**

**ROBUSTNESS of the 2019/20 PROPOSED BUDGET ESTIMATES
(S25-26 LGA 2003)**

1. INTRODUCTION

- 1.1 The Local Government Act 2003 requires the Corporate Director of Finance and Systems, the Council's section 151 officer, to report independently to the Council their own opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level 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 7.

2. BACKGROUND

- 2.1 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 2018/19 budget monitoring process and planning process review have been addressed in the 2019/20 budget wherever appropriate.
- 2.2 The process has involved the Executive Portfolio Holders, members of the Corporate Leadership Team and other service management supported by Finance Managers.
- 2.3 All budget managers have been requested to agree their budget working papers and are therefore aware of their proposed budget for 2019/20, and the assumptions the budget is based on, which includes income targets.
- 2.4 With the support of the senior Finance staff within the Financial Management Service, I have undertaken a review of the Executive's budget proposals at varying levels of detail taking into account known factors that will have a significant bearing on the conduct of the Council's business in 2019/20 and the medium term. Importantly it includes discussion, information and assurances supplied by Directors and other senior staff.
- 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 Leadership 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. Savings will continue to be monitored through CLT as part of the budget monitoring process as well as the established bi-monthly financial monitoring of all Council activity on an outturn basis from May each year.

- 2.6 I have also taken 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. Following the introduction of the Asset Investment Strategy and the increasing levels of gross income receivable, coupled with some erosion of the business rate baseline I propose an increase to the minimum level of general reserve to cover for unforeseen circumstances from £6.0m in 2018/19 to £7.0m in 2019/20.
- 2.7 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. These are detailed below and paragraph 2.8 refers specifically to concerns for 2020/21 given the expected reset of the business rate retention scheme baselines and implementation of fairer funding.
- The scale of savings required, in particular the CFW directorate, whilst not on similar levels to previous years continues to be demanding on the capacity of managers and staff and particularly given the size of savings programmes delivered since 2010;
 - The approach to investments as included in our investment strategy has mitigated to a certain extent the need to make further efficiencies in service delivery. The assessment of risks is crucial to ensure this course of actions continues to provide a secure source of income to support the revenue budget and remains proportionate. The returns can be quite volatile as witnessed during 2018/19 when a significant investment opportunity fell through at the last minute;
 - The Council could face legal challenge in relation to 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, particularly in adults and children's social care which continue to pose the biggest threat to the Council's budget in the future and significant new investment has been incorporated into the 2019/20 budget plans to reflect the latest demand pressures. Government has promised to release a green paper on the future funding of these services and this is eagerly awaited;
 - There is also risk with regard to the ability of the external care market to provide sufficient capacity at the right price to support our growing care needs;
 - There is significant reliance on business rates growth to support its spending plans in 2019/20 and there are still a large volume of unsettled business rate appeals where the Council carries a major risk, albeit a provision has been included in the accounts;
 - There continue to be ongoing consultations on the overall schools budget, particularly measures required to control spending in the high needs area;
- 2.8 MHCLG are currently consulting on proposals for a full reset of the business rates retention baselines and a review of local government relative needs and resources; both of which are contributing to the significant budget gap for 2020/21. Since the introduction of the business rate retention scheme in 2013/14 the Council has become increasingly reliant on the growth in business rates as a sustainable

revenue stream. A full reset could see the Council lose funding of £12.5m in 2020/21, a figure which is currently built into the MTFP projections.

2.9 The decisions in this report still leave a budget gap of £15.7m in 2020/21. It is unlikely that any indicative funding figures will be made available by Government until late summer or early autumn 2019 which will make financial planning difficult for 2020/21 but a number of potential mitigating factors exist:-

- Government are currently consulting on transitional arrangements which, whilst these will unwind over a period of time, could protect the Council from a sudden and significant fall in resources.
- The Council's current budget contains a modest level of discretionary services which will be reviewed during 2019 as well as fees and charges
- Comprehensive Spending Review and the social care green paper could both signal the trajectory of funding in future years and specifically funding for social care.
- Population growth in Trafford is projected to rise faster than the national average which whilst meaning the pressure on Council services could increase is likely to mean improved levels of Government funding through the new formula which has a strong bias toward population rather than deprivation.

2.10 The Council will continue to give priority to bolstering its overall reserve position during the remainder of 2018/19 and 2019/20 to provide a further safety net as possible. Also a number of specific reserves will be created, following a review of all reserves, to support the significant levels of planned investment in leisure centres in the next couple of years. In addition given the increasing assumptions in respect of the investment income to be received from Manchester Airport Group a specific reserve has been established during 2018/19 in the event actual income is different to forecast.

2.11 In terms of its capital programme there continue to be pressures in realising a level of capital receipts that is sufficient enough to protect the asset base. A new approach to delivering regeneration will commence during 2019/20 which will see the Council develop surplus sites itself rather than adopting the historic approach of outright sale to developers in an attempt to maximise the value obtained from surplus assets. This could lead to an element of short term borrowing until receipts are realised and the cost of this borrowing will be included as a commitment within specific reserves.

2.12 During the year school balances are reviewed and whilst a number of schools are operating with an in-year deficit they have sufficient reserve cover in most instances to support this. Where necessary a team comprising of finance, HR and support from school improvement help support schools in financial difficulty. In a small number of cases some schools have licensed deficits, the position of which is regularly monitored to ensure recovery action plans are developed and implemented. During 2018/19 a couple of maintained primary schools converted to sponsored academy status following Ofsted reviews which concluded the schools were requiring improvement. In these cases the Council has the responsibility to ensure it does not encumber the sponsor with a financial deficit, if they exist. This overall position is monitored and in the event of future transfers of this nature a specific reserve is maintained.

2.13 The High Needs budget within the DSG is under extreme pressure resulting in the unprecedented increase in the number of education, health and care plans. A task and finish group has been established to review this position and to consider ways to alleviate the financial pressure on the budget. This has been mitigated to some extent with additional funding from the ESFA, together with an agreed top-slice of school budgets and supplemented by a one-off contribution from the Council for 2019/20. This means that more time is afforded to make sure that, in the event that future savings need to be made, adequate consultation can be undertaken with all stakeholders.

3. OUTCOME OF REVIEW

3.1 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. As part of the review of draft savings proposals, risk assessment and mitigating action a number of changes in assumptions were subsequently made, the salient ones are as follows:

- Increase budget provision within Children and Adults Social Care demography;
- Risk also exists within the public health budget due to increasing price pressures within contracted activities and a reduction in the public health grant levels. Service reviews will be undertaken during 2019/20 to move towards bringing Public Health expenditure back within the Public Health allocated resources by 2020/21. For 2019/20 the Council has not passed the cut in funding through to the Public Health budget and additional contingency has been included in the central budgets to allow for the risk of an in year overspend on Public Health.
- A number of ICT software licence arrangements will need to be reviewed during 2019/20 and additional budget provision has been made for these.
- The overall council tax-base has been reviewed to reflect the new projected costs of the council tax support scheme following a consultation during 2018.
- The establishment of a MAG Investment reserve to cushion the impact of any discrepancies between budgeted and actual return on investments. Also the addition to the business rate smoothing reserve and SEN high needs reserve (DSG) following receipts of additional income in 2018/19.
- Continuation of the Budget Support Reserve, to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term. A drawdown of £2.8m is required to support the budget in 2019/20 leaving £2.3m available for future years;
- Increase in waste levy budget to reflect the updated forecasts from the Waste Disposal Authority and corresponding change to the transport levy;

4. CONCLUSION

4.1 This 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.

4.2 On the basis of the above mentioned financial planning and monitoring processes together with the risk assessment of the budget, the Corporate Director of Finance and Systems is able to report (in accordance with Section 25 of the Local Government Act 2003) that the estimates made for the purposes of the calculation of the budget are robust and the level of reserves and balances are adequate and (in accordance with Section 26 of the Local Government Act 2003) the minimum level of general reserve be set at £7m, an increase of £1m on the level set for 2018/19.

Annex H

OUTLINE OF 2019/20 FUNDING FORMULA RECOMMENDED BY SCHOOL FUNDING FORUM

Description		Amount per pupil		Pupil Units		Sub Total	Total
	Primary (Years R-6)	£2,740.60		21,003.00		£57,560,822	
	Key Stage 3 (Years 7-9)	£3,862.57		9,730.00		£37,582,806	£120,973,574
	Key Stage 4 (Years 10-11)	£4,388.37		5,886.00		£25,829,946	
		Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR		
Deprivation	FSM	£442.36	£442.36	1,857.00	1,438.00	£1,457,576	£9,405,300
	FSM6	£542.89	£789.20	3,060.76	2,884.13	£3,937,814	
	IDACI Band F	£201.07	£291.55	1,120.62	834.91	£468,742	
	IDACI Band E	£241.29	£392.09	1,469.02	1,104.34	£787,433	
	IDACI Band D	£361.93	£517.76	894.83	611.17	£640,305	
	IDACI Band C	£392.09	£563.00	760.12	576.90	£622,828	
	IDACI Band B	£422.25	£603.21	1,192.71	942.80	£1,072,330	
	IDACI Band A	£578.08	£814.34	326.04	282.19	£418,271	
		Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR		
English as an Additional Language	EAL 3	£517.76	£1,392.42	2,457.46	238.76		£1,604,823
		Amount per pupil		Eligible proportion of primary and secondary NOR respectively			
Prior attainment	Low Attainment % new EFSP	£1,055.62		5,737.75		£6,056,879	£8,901,121
	Low Attainment % old FSP 78						
	Secondary pupils not achieving (KS2 level 4 English or Maths)	£1,558.30		1,825.22		£2,844,242	
Lump Sum						£110,589.00	£9,289,476
Additional Lump Sum for amalgamating schools							£44,236
Split Sites							£40,000
Rates							£1,462,056
Additional funding under the minimum funding level							£4,630,767
Total Funding for Schools Block Formula (excluding MFG Funding Total)							£156,351,352

Minimum Funding Guarantee (MFG is set at +0.5%) less deduction for capping	£4,658,108
Total Funding For Schools Block Formula	£161,009,460
less de-delegation	-£990,389
less Education functions	-£250,000
Total Funding For Schools Block Formula less de-delegation	£159,769,071

Formal Council Tax Resolution

The Council is recommended to resolve as follows:

1. It be noted that on 23rd January 2019 the Council calculated
 - (a) the Council Tax Base 2019/20 for the whole Council area as 76,999 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")] and;
 - (b) 1,577 for dwellings in the Parish of **Partington**;

to which Parish Precepts relate.

It is recommended : -

2. That the Council approve the Council Tax Requirement for the Council's own purposes for 2019/20 (excluding Parish precepts) as £99,499,648.
3. That the Council agrees the calculation of the Aggregate Amounts for the year 2019/20 in accordance with Sections 31 to 36 of the Act:
 - (a) £482,463,213 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
 - (b) £382,896,542 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
 - (c) £99,566,671 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act).
 - (d) £1,293.09 being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
 - (e) £67,023 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
 - (f) £1,292.22 being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.
 - (g) £1,334.72 **Parish of Partington** being the amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned at 3(e) above divided by the amount at 1(b) above, calculated by the Council, in accordance with section 34(3) of the Act, as the basic

amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.

4. The council tax set by Trafford Council includes a 1.0% increase to be spent exclusively on supporting the delivery of adult social care services.
5. That it be noted that for the year 2019/20 the Mayoral Police and Crime Commissioner and the Mayoral General (including Fire Services) have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each category of dwellings in the Council's area as indicated in the table below.
6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate shown in the tables below as the amounts of Council Tax for 2019/20 for each part of its area and for each of the categories of dwellings.

Valuation Bands

Council Tax Schedule 2019/20	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Trafford Council (including Adult Social Care Precept)	861.48	1,005.06	1,148.64	1,292.22	1,579.38	1,866.54	2,153.70	2,584.44
Mayoral Police and Crime Commissioner Precept	132.20	154.23	176.27	198.30	242.37	286.43	330.50	396.60
Mayoral General Precept (including Fire Services)	51.29	59.84	68.39	76.95	94.05	111.15	128.24	153.90
Sub total	1,044.97	1,219.13	1,393.30	1,567.47	1,915.80	2,264.12	2,612.44	3,134.94

Partington								
Parish only	28.33	33.06	37.78	42.50	51.94	61.39	70.83	85.00
Parish & District only	889.81	1,038.12	1,186.42	1,334.72	1,631.32	1,927.93	2,224.53	2,669.44
Aggregate of Council Tax requirements (incl. – Mayoral Precepts)	1,073.30	1,252.19	1,431.08	1,609.97	1,967.74	2,325.51	2,683.27	3,219.94

PARISH COUNCIL PRECEPTS

Parish/Town Council	2018/19			2019/20			C Tax Increase
	Tax Base	Precepts £	Council Tax Band D (£)	Tax Base	Precepts £	Council Tax Band D (£)	
Partington	1,550	65,875	42.50	1,577	67,023	42.50	0.0%
TOTAL	1,550	65,875		1,577	67,023		

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TRAFFORD COUNCIL

Report to: Executive and Council

Date: 20 February 2019

Report for: Decision

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

Report Title

CAPITAL STRATEGY, CAPITAL PROGRAMME AND PRUDENTIAL & LOCAL INDICATORS 2019/22

Summary

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 and consists of :-.

Capital Strategy (Appendix 1) – The Capital Strategy which includes the core principles that underpin the Council's Capital Programme.

General Capital Programme (Appendix 2) - The level of resources forecasted to be available for general capital investment purposes during the period is £109.34m. The proposals included in this report will result in a Capital Programme totalling £112.28m. This equates to £2.94m of over-programming over the three year programme and will be reviewed each year to ensure actual capital resources are not overcommitted. To assist with the delivery of the capital programme individual scheme proposals are included for a number of key programmes.

Asset Investment Strategy (Appendix 2) – This report highlights the Council's proposals to utilise the fund created during 2017 by acquiring a range of investment assets to provide a sustainable revenue stream and cover any related borrowing costs whilst facilitating development and regeneration and also support local authority functions. The fund originally approved at a level of £300m is recommended to increase by a further £100m in 2019/20 to give a total fund value of £400m.

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

Recommendations

That the Executive approve the:-

1. Capital Programme as detailed in Appendix 2 of the report;
2. Schemes to be undertaken from the “block” budget allocations reported in paragraph 21 and detailed Appendix 4.

That Executive recommends the Council to approve:-

3. The Capital Strategy included in Appendix 1;
4. the overall Capital Programme in the sum of £212.28m for the period 2019/22, comprising £112.28m in respect of the General Programme and £100m for the Asset Investment Fund;
5. approve additional prudential borrowing of £6.91m to support revenue generating investment opportunities as detailed in Paragraph 13 and a further £100m which will be added to the Asset Investment Fund as detailed in Paragraph 33; and
6. the Prudential and Local 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

Background Papers – None

BACKGROUND

1. The Capital Strategy attached at Appendix 1 to this report is a new requirement for Councils' to produce from April 2018 following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2017.
2. The Capital Strategy focuses on core principles that underpin the Council's capital programme as presented in this strategy and it gives a position statement with regards to capital expenditure and the resources available. It also focuses on the key issues and risks that will impact on the delivery of the Council's capital investment plans and the governance framework required to support delivery of the Strategy.
3. The three year Capital Programme 2019/22 and update of available resources is detailed in Appendix 2. This includes specific reference to a number of budget areas which historically have had subsequent reports to Executive to approve the programme of schemes for these areas e.g:- Public Building Repairs and Highway Programmes.
4. As a change to this process this report includes details of each programme for 2019/20. This will allow early preparation of individual schemes and assist in the full delivery of programmes during 2019/20.

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	The Council has complied with the requirements of its Public Sector Equality Duty.
Sustainability Implications	None arising out of this report.
Staffing/E-Government/Asset Management Implications	A number of improvement schemes are being undertaken in 2019/22.
Risk Management Implications	Assumptions have been made on land sale projections and the level of receipts to be generated in 2019/20 to 2021/22. An annual review will be undertaken of the future Land Sale Programme and in the event that there is a shortfall in resources to finance the Capital Programme adjustments will be made to our expenditure plans. Any other properties or other assets acquired as part of the Investment Fund will be subject to the annual review and revaluation. If the fair value of these assets falls then consideration will be given to making additional charges to the revenue budget.
Health and Safety Implications	A number of schemes are being undertaken on the grounds of health and safety.

RECOMMENDATIONS

That the Executive approve the:-

- Capital Programme as detailed in Appendix 2 of the report;
- Schemes to be undertaken from the “block” budget allocations reported in paragraph 21 and detailed Appendix 4.

That Executive recommends the Council to approve:-

- the Capital Strategy as included at Appendix 1;
- the overall Capital Programme in the sum of £212.28m for the period 2019/22, comprising £112.28m in respect of the General Programme and £100m for the Asset Investment Fund;
- approve additional prudential borrowing of £6.91m to support revenue generating investment opportunities as detailed in Paragraph 13 and a further £100m which will be added to the Asset Investment Fund as detailed in Paragraph 33; and
- the Prudential and Local Indicators as set out at Appendix 3 of this report.

Other Options

The Executive could decide to use capital receipts to repay debt which would generate revenue savings on the Medium Term Financial Plan. However, the proposed application of the capital receipts are to schemes with mandatory requirements, 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 2019/22 . Consultation with the public and user-groups will follow, where appropriate, once the programme is set and specific proposals within the budget allocations are developed.

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.....

CORPORATE DIRECTOR’S SIGNATURE



TRAFFORD COUNCIL

Capital Strategy



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INTRODUCTION

The effective management of capital resources is an important aspect in the delivery of the Council's corporate objectives and associated priority areas. The Capital Strategy provides the framework for this delivery and ensures there is a focused approach to our capital investment.

This first iteration of the strategy will build from the Council's existing Capital Investment Strategy and developing Capital Programme, which was approved by the Council in February 2018.








The Strategy maintains a strong and current link to the Council's priorities and to its key strategy documents notably the Corporate Plan and Place Shaping Strategy, Medium Term Financial Strategy, Treasury Management Strategy, Asset Management plans and the Asset Investment Strategy.

The Strategy will be reviewed annually and updated to take account of the new challenges facing the Council and the aspirations of our residents - ensuring that we provide a Capital Strategy which meets the Council's long-term vision of ***"Working together to build the best future for all our communities/everyone in Trafford"***.

OBJECTIVES

The high level objectives for the Council's capital investments over the medium term are:-

- ❖ Support the Medium Term Financial Strategy (MTFS) by ensuring that capital investment decisions are not taken in isolation from revenue spending with specific emphasis on delivering future savings and income streams capable of supporting the revenue budget. Also ensuring the right capital assets are fit for purpose for the Council and partners and supports the priorities in the asset management plans
- ❖ Ensure health and safety and other schemes of a statutory nature are delivered
- ❖ Support achievement of Corporate Objectives and key priorities :

-  Building Quality, Affordable and Social Housing
-  Health and Wellbeing
-  Successful and Thriving Places
-  Children and Young People
-  Pride in Our Area
-  Green and Connected
-  Targeted support

Specific priorities include:-

- ❖ Leisure Centre Strategy
- ❖ Investment in Highways
- ❖ Secondary Schools - Expansion Programme and Improvement
- ❖ One Public Estate, particularly relating to new health related provision and best use, including rationalisation of public sector assets
- ❖ Adult Social Care – In-house dementia support
- ❖ Affordable Housing
- ❖ Regeneration of Strategic Locations including, Stretford Civic Quarter, Sale Town Centre development and the Stretford Town Centre Masterplan
- ❖ Major infrastructure schemes to support new housing development, including Carrington Relief Road - A1 Route
- ❖ Asset Investment Strategy, including the acquisition of commercial properties, provision of senior development or investment debt and direct development of council owned sites.

The Council's 2019-2022 Capital Programme, associated financing and prudential borrowing requirements is attached as an appendix to this strategy.

CONTEXT

In December 2017 CIPFA issued an update to the Prudential Code requiring that authorities should have a Capital Strategy with the purpose of establishing a long term direction for the management and use of capital resources for the organisation

The Capital Strategy is closely linked to a number of other key strategies including :-

- ❖ Corporate Plan
- ❖ Medium Term Financial Strategy
- ❖ Asset Management Plans
- ❖ Asset Investment Strategy and Town Centre Strategies
- ❖ Treasury Management



CORPORATE PLAN

The corporate plan describes Trafford Council’s vision and priorities for the borough and the priorities we have identified as an organisation as being key to the delivery of that vision. It includes an overview of our strategies which provide the detail of what the council will do and how we will work with our communities and our partners to deliver change to Trafford in line with these commitments.

At the heart of our vision is a common cause – we want to make Trafford a better borough. We want to make it a place where everyone has a chance to succeed and where everybody has a voice. We know we need to do things differently as the council cannot do it all. The council, by virtue of its democratic mandate, will lead the way in ensuring that this is a shared endeavour and that across Trafford there will be a more joined up approach to service delivery. Through our new vision, we are making a commitment to work together across different services and agencies to make the best use of our resources. It is aligned with our aspirations as we develop the future model for our statutory obligations and existing partnership arrangements.

The Council's Vision
Working together to build the
best future for all our
communities/everyone

Our vision is about giving people in Trafford greater choice about where they live; to build and sustain in thriving communities; and to develop areas which we can all take pride in. Our vision is about people living healthily; receiving care when they need it and having access to our green spaces. It is also about making Trafford a great place to live and work through connected transport links, so that there is a real choice of how we travel in and around our borough.

Far too many people are still getting left behind. Too many people's lives are still blighted by not having access to good housing and employment opportunities; by child poverty and health inequalities. Our vision is a call for fairness – for all children and young people to have a fair start no matter their circumstances and to ensure people get support when they need it most.

These are exciting times for Trafford and our vision aims to meet the opportunities and challenges that lie ahead. Over the next few years, this vision will be at the forefront of everything the Council does and aims to achieve.

The Priorities and outcomes for Trafford

The Council has identified seven strategic priorities that we believe are key to enabling Trafford residents, businesses and staff to thrive. Our priorities set out our aspirations for our people, place and communities, and how they can affect and improve their daily lives.

Our people are our greatest resource. Through engagement with our staff we will create an environment for staff to grow and develop life- long skills and see the benefit of their contribution to the borough. We want to be an employer of choice.

Our Priorities :



Building Quality, Affordable and Social Housing

Trafford has a choice of quality homes that people can afford



Health and Wellbeing

Trafford residents health and Well-Being is improved and Reducing Health Inequalities



Successful and Thriving Places

Trafford has successful and thriving town centres and communities



Children and Young People

All Children and Young People in Trafford will have a fair Start



Pride in Our Area

People in Trafford will take pride in their Local Area



Green and Connected

Trafford will maximise its Green Spaces, Transport and Digital Connectivity



Targeted support

People in Trafford will get support when they need it most

These priorities are not just for the Council but for the whole community and have been shared with members of the Trafford Partnerships. In order to make the difference we want to make, we will need to work closely and effectively with partners, residents, businesses and communities to make this a success.

PLACE SHAPING BOARD

The Trafford Place Shaping Board is led by the Executive Member for Investment, Regeneration and Strategic Planning, chaired by the Corporate Director, Place and comprising directors and senior council officers meets weekly to develop, direct and deliver a Place Shaping Programme encompassing a number of inter-related programmes including Leisure, Investment and enabling projects.

The purpose of the Place Shaping Board is to ensure that development, disposal, investment and acquisitions taken forward by the Council realise and maximise the financial and strategic objectives for growth and regeneration.

The Strategic Place Shaping Board applies the direction of the Executive:

- ❖ To establish a Place Shaping Programme comprising projects from: Place Shaping, Leisure, Schools, Investment, Disposal; and Enabling categories;
- ❖ To consider the inclusion of new projects within the Place Shaping Programme;
- ❖ To consider strategic development sites and how these can contribute to place shaping objectives;
- ❖ To drive the implementation of the Place Shaping Programme through weekly meetings;
- ❖ To review a monitoring report on a monthly basis on the financial, legal, commercial (including risk management) and development milestones of the Place Shaping Board Programme to ensure programme delivery;
- ❖ To receive, review and agree Outline Business Cases and (subsequent) Full Business Cases for projects within the Place Shaping Programme prior to Executive or Investment Board approval.

- ❖ To receive and review regular updates from any Place Shaping sub / working groups including the Adult Care (place shaping) working group and Leisure Board.
- ❖ The Place Shaping Programme sponsor is the Corporate Director Place and responsibilities for individual projects will be delegated/allocated to Place Shaping Board members (See below)

The Board will comprise of the following:

- ❖ Executive Member for Investment, Regeneration and Strategic Planning
- ❖ Chief Executive
- ❖ Corporate Director, Place
- ❖ Corporate Director of Finance and Systems
- ❖ Corporate Director of Governance and Community Strategy
- ❖ Head of Financial Management
- ❖ Head of Planning and Development
- ❖ Director of Property

Other Trafford Council officers will attend and contribute to the meetings according to operational need.

MEDIUM TERM FINANCIAL STRATEGY

The objectives and supporting policies of the Medium Term Financial Strategy (MTFS) are designed to assist the Council in ensuring that the people of Trafford will continue to be provided high performing, efficient and effective services for now and into the future, whilst avoiding unnecessary tax burdens and ensuring best value for money.

These objectives of the MTFS are:

- ❖ Keeping the Council Tax low
- ❖ Increasing the resources available to the Council
- ❖ Delivering value for money
- ❖ Delivering a robust, balanced and sustainable budget (both capital and revenue)

ASSET MANAGEMENT PLANS

The Council has historical data on both the property and highways infrastructure portfolios to assess the condition and backlog maintenance.

The condition data and backlog maintenance requirements identified in the asset management plans for corporate property, schools and highways infrastructure are then used to determine the priorities for investment to ensure statutory compliance along with improving the assets.

These plans set out the current and longer term condition of Trafford's infrastructure and provide information on the 10-20 year requirements of these assets, which informs the decisions made on capital investments plans into the future.

ASSET INVESTMENT STRATEGY

The Council's Asset Investment Strategy was originally approved by the Executive in July 2017 when approval was given to increase the Capital Investment Fund to £300m with a further update in October 2018. The Strategy seeks to acquire a balanced portfolio of investment assets capable of providing sustainable income streams to support the MTFP, facilitate development and regeneration and support local authority functions. Any activity is financed through prudential borrowing and included in the capital programme.

The details of the strategy:

- ❖ The target income return should be between 5.0% and 6.5% to deliver sufficient margin over borrowing costs and MRP requirements, whilst still providing the investment security required. The actual returns required will depend in part on the specific MRP approach adopted.
- ❖ To achieve sustainable returns, without being over-exposed to risk, to target direct investment in prime and good secondary assets across a variety of sectors.
- ❖ Based on sector performance and the objectives, it is recommended to focus on Industrial, Retail Warehousing (including Food Stores) and alternative sectors (i.e. budget hotels).
- ❖ Other asset classes should be considered on an opportunity basis to help meet the objectives, especially where they may help achieve longer term strategic growth (i.e. regeneration).
- ❖ Creating a diversified portfolio is important, whilst balancing the need to generate a return to support local authority functions. A target average lot size of between £20m and £30m (so a fund made up of between 10 – 15 assets with a total investment of £300m). Investments outside of this range will be considered on an opportunity-led basis and considered on their merits.
- ❖ Multi-let properties will help reduce asset and tenant specific risk. No more than 10% of the portfolio income should be from a single tenant to maintain the tenant specific risk at a manageable level.
- ❖ Consideration to be given to lending to fund investment or development as part of the strategy, as this can have additional benefits especially when focused in the local area. Up to 30% of the portfolio could be allocated to debt, but consideration to a higher level on a case by case basis.

The objectives to be achieved through either:-

- ❖ Direct Investment (Medium to high risk and return),
- ❖ Development Debt (Medium risk; medium to high return), or
- ❖ Debt Investment (low to medium risk and return)

As part of the decision making process an Investment Management Board (IMB) has been established to oversee the approval of new acquisitions and to undertake a performance management role. This process is supported by independent external advice on each acquisition and also a robustness statement from the Corporate Director of Finance and Systems.

The financial performance of the investment portfolio and of each property within the portfolio will be measured and reported on a quarterly basis by an officer group to the IMB and subsequently to Executive. Performance measurement will be based on external revaluations and net yield generated and reporting will be undertaken with a view to making recommendations concerning sales or purchases and any amendments to the adopted strategy to ensure that the main objectives continue to be achieved.

The Asset Investment Strategy, along with promoting economic growth in the borough, supports the revenue budget. With the revenue funding gap expected to continue over the medium term the income streams from these investments are imperative. It is therefore intended to increase the fund, to continue investment and income streams, by £100m up to £400m. The increase will be funded from borrowing with approval being sought in February 2019 when setting the budget.

The strategy is regularly updated and reviews the current practices to focus on the direction of our investment activity going forward. Focus will still be on achieving low risk, secure and sustainable income streams into the medium to long term, with particular emphasis placed on either development or investment debt across a wider geographical area.

TREASURY MANAGEMENT

The Council also produces a Treasury Management Strategy which is approved by full Council annually as part of the budget setting process.

The Treasury Management Strategy aims to maximise investment interest whilst minimising risk to the Council. The main objective surrounding the Council's investment criteria is security of capital first, liquidity of its cash flows and finally yields.

The Strategy takes account of the Council's capital expenditure plans and ensures that any borrowing requirement to fund these plans remains robust, prudent, affordable and sustainable.

There are close links between the Capital Strategy and Treasury Management Strategy with the Capital Strategy determining the borrowing need of the Council. The take up of debt is done in accordance with the Treasury Management Strategy which involves arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives. The Council makes provision for the repayment of debt over the life of the asset that the borrowing is funding.

A copy of latest Treasury Management Strategy can be found at: <..\..\Treasury Mgt\Reports\201920\Treas Mgt report strategy FINAL.doc>

CAPITAL RESOURCES

External Resources

External resources available to support the Capital Programme are received from a number of sources. These include grants from central government departments and agencies, developer contributions in the form of S.106 and S.111 agreements and contributions from bodies interested in specific projects. These resources can be very specific with little, if any, discretion on how they can be applied.

Internal Resources

The restrictions on the ability to apply external resources to specific schemes means that only internal resources are available for application on discretionary investment. Internal resources mainly comprise **Prudential Borrowing** and **capital receipts** from the sale of surplus council assets. The programme of identifying and sale of these surplus assets is known as the Land Sales Programme.

Prudential Borrowing

Prudential Borrowing is an alternative way of financing capital expenditure. In considering the use of borrowing to support its' capital investment proposals the Council must show how stewardship, value for money, prudence, sustainability and affordability can be demonstrated. Examples of schemes that would be appropriate for this type of financing include:

- ❖ Invest to save schemes
- ❖ Investing in income generation schemes

Generally a scheme will only be considered for Prudential Borrowing if the impact on the revenue budget is at least neutral and the scheme has gone through the capital prioritisation and appraisal process. This will ensure that the scheme will contribute to the delivery of council objectives, whilst not placing any additional pressure on the council tax.

The bulk of Council borrowing is linked to the Invest to Save Programme, which generates a financial return to the Council above the borrowing cost and a lot of the schemes are asset backed.

The Council is required to set prudential indicators, supplemented by local 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 included within the annual capital budget setting report and approved by full Council.

Capital Receipts

Capital receipts are the income the Councils receives from the sale of surplus assets. In line with the Local Government Act 2003 this can only be applied to support capital expenditure, or to repay debts or other liabilities.

Traditionally local authorities have maintained a property review and disposal programme to rationalise property holdings and raise capital. This traditional approach has changed significantly in recent years for many Councils. This process of review and disposal continues. However, the disposal element is now much more focused on revenue rather than capital in line with financial requirements.

Rather than the traditional direct sale of surplus assets which only generates a capital receipt the council also looks into direct development which can increase the value of the eventual capital receipt or may produce a revenue stream which can be used to support wider Council objectives.

In order to maximise the returns from these surplus assets the Corporate Landlord Strategy Group reviews the sites to identify the optimum use for the asset. The result of this review process is an annual Strategic Land Review Programme which reports the delivery method for each site and the potential returns, both capital and revenue, that can be used to support future capital investment and revenue pressures.

GOVERNANCE FRAMEWORK

It is important given the risks surrounding Capital Projects that the appropriate governance framework is in place hence the following processes are in place:

- ❖ The Capital Strategy itself to be presented annually alongside the Medium Term Financial Strategy at Council
- ❖ All new bids are prioritised and assessed by the Corporate Leadership Team
- ❖ All schemes and the overall Capital Programme are subject to approval by the Executive with the overall resource envelope agreed by Council.
- ❖ Responsible Officers are assigned projects in line with their responsibilities
- ❖ The Strategic Place Shaping Board is led by the Executive Member for Investment, Regeneration and Strategic Planning and chaired by the Corporate Director, Place. The group monitors the strategic direction of the council's capital investment plans.
- ❖ The progress of the programme is reported to the Executive on a bi-monthly basis.
- ❖ The Council's Finance Procedure Rules identify the parameters within which officers need to manage capital expenditure
- ❖ Regular budget monitoring meetings are held with Directorate Departmental Management Teams.
- ❖ The Capital Programme is subject to Internal and External Audit Review
- ❖ Scrutiny Committee can call in Executive Reports.

The Capital Programme is agreed annually by the Executive and Council. The Programme, to assist in planning and delivery of schemes, covers three years. Each year the Executive confirm the next three years' Programme, in light of available resources. If priority schemes come forward but insufficient resources are available then the opportunity is taken to review the priority of schemes in the Programme that are not contractually committed alongside new proposals. This ensures that the capital resources available to the Council are used as affectively as possible. The overall process will continue to be led by the Financial Planning Team in the Financial Management Service.

A de-minimis level of £10,000 exists for capital schemes. Schemes with a lower value are assessed for inclusion into the revenue budget. The only exceptions to this are if the scheme is supported by specific external resources.

As part of the budget process and annual review of the Programme a capital bidding round for those projects requiring support from discretionary resources, i.e. capital receipts and prudential borrowing is undertaken. This includes uncommitted schemes in the existing programme giving priority to:-

- ❖ Support the Medium Term Financial Strategy (MTFS) by ensuring that capital investment decisions are not taken in isolation from revenue spending with specific emphasis on delivering future savings and income streams capable of supporting the revenue budget. Also ensuring the right capital assets are fit for purpose for the Council and partners and supports the priorities in the asset management plans.
- ❖ Ensure health and safety and other schemes of a statutory nature are delivered.
- ❖ Support achievement of Corporate Objectives and the 7 key priorities.

Larger schemes have specific working groups, for example leisure strategy developments. The make-up of the groups include service departments, professional services, finance services to ensure that schemes are progressed, monitored and completed in line with the originals proposals. The results and findings of these meetings are reported, on a bi-monthly basis, to Members and Senior Officers. These reports give a progress report on all schemes as well as reporting any amendments to the Investment Programme for scheme slippage and new approvals.

As part of the decision making process for the Asset Investment Programme an Investment Management Board has been established to oversee the approval of new acquisitions and to undertake a performance management role. This process is supported by independent external advice on each acquisition and also a robustness statement from the Corporate Director for Finance and Systems.

RISK MANAGEMENT AND RELATIONSHIP WITH OTHER PROCESSES

It is important to note that the risk appetite is a high level view on the key areas of risk that the Council is willing to accept in pursuit of its objectives.

The risk appetite is also supported by the following:

- ❖ The Council's risk management framework and strategic risk register
- ❖ The governance structure and responsibilities, particularly around the Asset Investment Strategy
- ❖ Risk reporting
- ❖ Monitoring and escalation procedures

It should be noted that aspects of these will be bespoke to individual areas where risk is undertaken, e.g. the treasury portfolio, asset investment strategy, place shaping strategy and direct development strategy for land development etc.

KNOWLEDGE AND SKILLS

The Capital Programme and Treasury Management Strategy are managed by a team of professionally qualified accountants with extensive Local Government finance experience between them. They all follow a Continuous Professional Development Plan (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills. The Council's Section 151 Officer is the officer with overall responsibility for Capital and Treasury activities, who is also a professionally qualified accountant and follows an ongoing CPD programme.

All the Council's commercial projects have project teams from all the professional disciplines from across the Council and when required external professional advice is taken.

Internal and external training is offered to members on an annual basis to ensure they have up to date skills to make capital and treasury decisions. A register is also kept on member attendance. The Council also involves members at a very early stage of a projects life cycle.

The Council's Investment Management Board reviews all commercial and investment deals from inception right through to project completion and ongoing performance management and this process is supported by a number of external advisors including CBRE.

The knowledge and skills of officers and members are commensurate with the Council's risk appetite.

SUMMARY

Trafford is committed to ensuring that the quality of services we provide continues to improve and that we meet the changing needs of all our customers and our capital investment plans are tailored towards ensuring this happens.

This Capital Strategy is a document that is reviewed annually to set the standards for optimising investment opportunities for the community of Trafford.

Capital Programme & Prudential Indicators

CURRENT CAPITAL PROGRAMME

1. In February 2018 the Council set an indicative capital programme with a value of £144.65m for the period 2018/19 to 2020/21 and in doing so allocated all available and estimated capital resources. The current value of the programme, including re-profiled expenditure from 2017/18 and other changes as reported in the period 8 budget monitoring report is £439.01m, including £340.26m in 2018/19.
2. The Programme can be split into two distinct areas, firstly the General Capital Programme, worth £182.70m, which aims to ensure that the Council can deliver its services in line with the priorities reported above and secondly the Asset Investment Fund, worth £256.31m, which has been set to support regeneration in the borough and also generate income streams which will support the revenue budget for years to come. These two elements are shown in the table below and are included in this report as :
 - Section 1 : General Capital Programme
 - Section 2 : Asset Investment Fund

Table 1 - Capital Investment Programme 2018/21	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Service Analysis:				
Children's Services	13.29	20.98	2.64	36.91
Adult Social Care	2.59	2.19	2.19	6.97
Place	64.16	38.44	32.01	134.61
Governance & Community Strategy	1.98	0.05	-	2.03
Finance & Systems	1.93	0.25	-	2.18
General Programme Total	83.95	61.91	36.84	182.70
Asset Investment Fund	256.31	-	-	256.31
Total Programme	340.26	61.91	36.84	439.01
Resourcing :				
Capital Grants	18.18	25.26	6.92	50.36
External contributions	8.93	14.16	1.50	24.59
External Resources	27.11	39.42	8.42	74.95
Reserves & revenue	13.05	0.61	-	13.66
Borrowing(*)	285.81	20.32	15.49	321.62
Receipts – Land Sales Programme	10.07	8.44	10.63	29.14
Internal Resources	308.93	29.37	26.12	364.42
Resourcing total	336.04	68.79	34.54	439.37
Surplus / (Deficit)	(4.22)	6.88	(2.30)	0.36

(*) Borrowing level includes £256.31m for Asset Investment Fund

SECTION 1 - GENERAL CAPITAL PROGRAMME

2018/19 PROGRAMME

3. The current forecasted expenditure for 2018/19 to 2020/21 is £182.70m of which £83.95m relates to 2018/19 and will deliver a number of key projects including:-
- School Places and condition works of £12.85m
 - Adult Social Care of £2.59m
 - Corporate landlord investment of £3.22m
 - Town centre regeneration and investment of £4.63m
 - Leisure Centre Strategy of £20.33m
 - Highways improvements of £17.99m
 - Metrolink extension contribution of £5.00m
 - Investment in Manchester Airport developments of £11.28m
 - Parks and Open Space improvements of £1.52m
 - ICT investment of £1.93m
 - Other investment of £2.61m

BUDGET PROCESS

4. As part of the budget process this year the Programme has been reviewed to ensure it continues to meet Council priorities and remains affordable within the level of resources available; this has involved:-
- Undertaking a capital bidding round for those projects requiring support from discretionary resources, i.e. capital receipts and prudential borrowing. This included uncommitted schemes in the existing programme giving priority to:-
 - support invest to save schemes or reduce revenue liabilities,
 - ensure schemes of a mandatory / contractual nature are prioritised and
 - support schemes that meet Council priorities.
 - An update to the level of all capital resources available to support the new programme.
 - Identifying those schemes that can be financed from other sources e.g. prudential borrowing and external contributions.

CAPITAL BIDS

5. All service areas were requested to submit new capital bids for the three years from 2019/22. This has included re-bidding for schemes in the current 2019/21 programme where those schemes were uncommitted. A full review of all bids was undertaken by the Corporate Leadership Team.
6. The value of bids received totalled £38.49m. A number were assessed as low priority and a number of self-funded schemes being those which can be financed through prudential borrowing or external contributions.

CAPITAL RESOURCES UPDATE 2019/22

7. A review of capital resources was undertaken to determine the scope for including schemes in the Programme over the next three years and allowing for the requirement for funding the 2018/19 programme the level of available resources. This indicates total resources of £109.34m, an increase of £21.29m

Table 2 – Changes to available resources	Current £m	Additions £m	Total £m
Capital Grants	32.22	7.65	39.87
External contributions	15.66	-	15.66
External Resources	47.88	7.65	55.53
Borrowing	24.71	6.91	31.62
Reserves & revenue	0.61	1.55	2.16
Receipts – Land Sales Programme	14.85	5.18	20.03
Internal Resources	40.17	13.64	53.81
Resourcing Total	88.05	21.29	109.34

External Resources

8. External resources available to support the Capital Programme are received from a number of sources. These include grants from central government departments and agencies, developer contributions in the form of S.106 and CIL agreements and contributions from bodies interested in specific projects. These resources can be very specific with little, if any, discretion on how they can be applied.
9. **Capital Grants - £39.87m** : These include grants from central government departments and agencies and the major areas include :-
- **£25.39m** for schools related investment from the Department for Education.
 - **£6.05m** from the Ministry of Housing, Communities and Local Government for disabled facilities grants
 - **£7.31m** from the Department of Transport to support investment in highways and infrastructure
 - **£0.60m** from the Football Foundation to support investment through the football facility strategy
 - **£0.48m** from the Department for Education create places and to improve facilities for pupils with special educational needs and disabilities (SEND).
10. Included in the estimate of grants available the opportunity has been taken to adjust allocations for 2019/20 and 2020/21 and make assumptions as to the level of grant expected in 2021/22 resulting in additional resources of **£7.65m**.

Table 3 : Updated Level of Capital Grants	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
<i>New notifications/ Assumptions</i>				
• Schools - SEND	0.48			0.48
• Football Foundation	0.60			0.60
• Schools Devolved Formula			0.30	0.30
• Schools Maintenance			1.70	1.70
• Disabled Facilities			2.10	2.10
• Highways Structural Maintenance			1.90	1.90
• Highways - Pot Hole Funding			0.18	0.18
• Highways Incentive Fund			0.39	0.39
Total	1.08		6.57	7.65

11. **External Contributions - £15.66m** : The majority of other external resources are made up of Section 106 contributions from developers which cover all areas of investment. The major areas currently included are :

- **£8.00m** contribution to the Metrolink extension. A total contribution of £20m to Transport for Greater Manchester for the extension works. The first two tranches of £7m and £5m have been made the final tranche of £8m is due in 2019/20.
- **£4.41m** for the continuing investment in public realm improvements in Altrincham and Stretford town centres. Funded from a mixture of developer contributions including the anticipated S.106 and S.111 contributions relating to the redevelopment of Barton Square.
- **£1.30m** contributions to support affordable housing provision with social landlord providers.
- **£1.00m** contributions to support proposed improvements in leisure facilities.
- **£0.95m** of contributions to support a range of other projects.

Internal Resources

12. The restrictions on the ability to apply external resources to specific schemes means that only internal resources are available for application on discretionary investment. Internal resources mainly comprise prudential borrowing and capital receipts.

13. **Prudential Borrowing - £31.62m** : Current investment financed from borrowing is £24.71m and includes:

- £21.71m for development of new leisure centres in Stretford and Altrincham.
- £3.00m of general borrowing to support general investment.

As part of the review of new bids the ability to provide additional income or savings to support borrowing was assessed and a number of schemes can support being funded in this manner. The proposals put forward for inclusion in the Capital Programme, which total **£6.91m**, are:

- **Manchester Airport £5.60m** – Investment opportunity at Manchester Airport. The total cost of the proposals is £56m of which each of the ten Greater Manchester Authorities will contribute £5.6m. The cost of the borrowing will be offset by the return on the loan.

- **Town Centre and Business Loan Schemes £0.60m** – to continue the successful town centre loan scheme and introduce a new business loan scheme. The borrowing costs will be supported by the repayment of the loans.
 - **Greater Manchester Full Fibre Initiative £0.71m** – Greater Manchester has secured £23.8m from Department of Culture, Media and Sport to support the provision of full fibre connectivity across the region. Each authority is to provide match funding and Trafford’s investment is estimated at £0.71m. The cost of the borrowing will be offset by revenue savings.
14. In a few instances, short term borrowing (up to 3 years) will need to be taken out prior to a receipt or income stream being received which would then be used to service debt costs. Based on the current capital programme spend profile this is currently forecasted to cost the Council £184k for the period 2019 to 2022 and this expenditure totalling £9.9m which will be temporarily funded from the Council’s reserves.
15. **Reserves and Revenue – £2.16m** : There are currently a range of projects supported by the application of reserve including:
- **£0.59m** for investment in residents parking schemes to reduce congestion in specific locations across the borough
 - **£0.37m** in support of a range of ICT initiatives and developments.
 - **£0.43m** to support invest through the football facility strategy
 - **£0.77m** in support of a range of other initiatives.

Capital Receipts

16. **Capital Receipts – £20.03m** : A review of the sites included in the current Land Sale Programme has been undertaken and an estimate for 2021/22 has been built-in. These will be subject of a future report to the Executive.
17. **Self-Development Sites** - Included in the estimate of receipts of £20.03m is £11.35m from the sites that have been identified for self-development by the Council.
18. The table below gives the current position of capital receipts for 2018/19 to 2020/21 and the commitment against them along with an estimate for 2021/22 to give the value of receipts available to support any new investment. A proportion of the capital receipts are already allocated to a number of projects in the capital programme leaving £8.55m available to support new investment.

Table 4 : Capital Receipts	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Land Sales Programme	7.85	6.75	4.31	18.91
Self-development Returns		7.25	4.10	11.35
<i>Less costs :</i>				
Disposal costs / MRP allowance	(0.57)	(0.53)	(0.46)	(1.56)
In-house Self-Development Team	(0.55)	(0.55)	(0.55)	(1.65)
Total Estimated Receipts	6.73	12.92	7.40	27.05
Capital Programme requirement				(7.02)
Net Receipts				20.03

INDICATIVE CAPITAL PROGRAMME

19. The value of the indicative three year Capital Programme is £112.28m and a summary shown in the table below, with detailed analysis shown in Annex 1. At this stage the figures for 2019/20 are known in detail, whereas the resource position for 2020/21 and 2021/22 is less certain, but these will be updated as resources are confirmed.

Table 5: Capital Programme and funding	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget Total
<i>Investment :</i>	£m	£m	£m	£m
Children's Services	21.81	2.66	4.35	28.82
Adult Social Care	3.41	2.86	2.85	9.12
Place	41.76	27.47	4.16	73.39
Governance & Community Strategy	0.05	-	-	0.05
Finance & Systems	0.90	-	-	0.90
General Programme Investment	67.93	32.99	11.36	112.28
<i>Funding :</i>				
Grants	26.37	6.92	6.58	39.87
External Contributions	14.16	1.50	-	15.66
Revenue & reserves	2.16	-	-	2.16
Prudential Borrowing	19.58	11.94	0.10	31.62
Capital Receipts availability (*)	(0.28)	12.91	7.40	20.03
Total Funding	61.99	33.27	14.08	109.34
Surplus / (Deficit)	(5.94)	0.28	2.72	(2.94)

(*) 2019/20 availability accounts for the receipts required to cover the shortfall in 2018/19 and may result in the requirement to undertake some short term borrowing supported by reserve.

20. Included in the programme are number of "block" allocations which historically have required a further report be presented to a future Executive Meeting to agree the individual schemes to be undertaken over the period.

21. This process has resulted in delays in the ability to deliver the schemes within the appropriate timeframe and therefore affecting delivery of years two and three as schemes have to be carried forward.

22. In order to reduce these delays attached, at Appendix 4, is a list of the schemes to be undertaken in 2019/20 for the areas of the programme covering :

- Public Building Repairs and Compliance Programme - £600k
- Integrated Transport Programme - £400k
- Highways Structural Maintenance (including pot holes) - £5.84m
- Greenspace Programme - £240k.

23. **Public Building Repair and Compliance Programme** - Schemes suitable for capital funding and part of the maintenance and repair programme are assessed by surveyors and categorised in terms of priority. The programme prioritises works (category 1) required to:

- Address safety issues
- Negate higher maintenance repair bills in the future
- Support commercial decisions such as preparing assets for immediate lease or disposal.

24. **Integrated Transport Programme** – The programme of schemes to be undertaken in 2019/20 has been compiled in line with the adopted Highways Infrastructure Asset Management Plan (HIAMP). The proposed schemes cover the following areas:

- Casualty Reduction Schemes
- Area Parking Schemes
- Minor Traffic Management schemes
- Traffic Regulation Order Programme

25. **Highways Structural Maintenance** – The programme of schemes to be undertaken in 2019/20 has been compiled in line with the adopted HIAMP. The rationale for investment in roads and bridges is threefold:

- through resident surveys, “better roads and pavements” are consistently cited as one of the top service areas that residents and businesses wish to see supported;
- roads and bridges are a vital part of ensuring economic growth in the area, providing access to education and recreation for residents and revitalisation of town centres.
- to reduce the deterioration rate of the highway asset, there must be continual investment in maintenance.

26. To ensure the available funding is used optimally, the Integrated Transport and Highways Structural Maintenance programmes are the result of an analysis of condition survey data by officers, in conjunction with feedback from Elected Members, communities, businesses, residents, schools, and focus groups such as the Trafford Cycle Forum.

27. **Greenspace Programme** – The Council’s greenspace resource is required in order to meet the objectives of Trafford’s Greenspace Strategy. The list of proposed schemes and associated budget allocations have been developed in the context of available conditions surveys and inspection results in the form of:

- Parks infrastructure audit.
- Trafford Countryside Management Partnership infrastructure audit.
- Play Areas annual safety inspection and infrastructure audit.
- Allotments annual conditions survey.

28. Opportunities for increased investment in the Highways Programmes for 2020/21 and 2021/22 will be prioritised as part of future budget reports.

SECTION 2 – THE ASSET INVESTMENT STRATEGY






29. The Council's Asset Investment Strategy was originally approved by the Executive in July 2017 with a further update in October 2017 when approval was given to an overall fund of £300m. The Strategy was further updated in October 2018 and seeks to acquire a balanced portfolio of investment assets capable of providing sustainable income streams to support the MTFP, facilitate development and regeneration and support local authority functions. Any activity is financed through prudential borrowing and included in the capital programme.
30. The Investment Management Board is a cross-part decision making board consisting:
- Leader of the Council
 - The Chief Executive
 - Leader of the Green Party Group
 - Leader of the Conservative Group
 - Leader of the Liberal Democrat Group
 - Executive Member for Finance
 - Executive Member for Investment, Regeneration and Strategic Planning.
31. The Board is advised by the Corporate Director of Finance and Systems, the Corporate Director of Place and the Corporate Director of Governance and Community Strategy and has made a number of approvals with a value of £174m leaving £126m available in the fund.
























Table 6: Asset Investment Strategy	2017/18 £m	2018/19 £m	Total £m
Total Investment Fund	295.00	5.00	300.00
Activity to date :			
K Site, Talbot Road, Stretford	1.24	23.62	24.86
Acquisitions :			
Sonova House, Warrington	12.17		12.17
DSG, Preston	17.39		17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	10.84		10.84
Trafford Magistrates Court, Sale		4.30	4.30
Walthew House Lane, Wigan		13.75	13.75
Committed: Future purchase of a strategic property in Trafford		23.83	23.83
Loan Advances:			
No.1, Old Trafford : Debt financing for residential development	3.13	(3.13)	0.00
The Crescent, Salford : Debt financing for residential development		60.80	60.80
Development Sites :			
Brown Street, Hale		6.21	6.21
Total investments	44.77	129.38	174.15
Balance available			125.85






32. The Strategy was updated and approved by Executive in October 2018 to ensure the most appropriate approach is taken going forward. Focus will still be on achieving balanced risk, secure and sustainable income streams into the medium to long term, with particular emphasis placed on either development or investment debt across a wider geographical area.
33. This activity has generated important income streams which are supporting the revenue budget and in order to provide sufficient headroom for new approvals it is prudent that the fund be increased by a further £100m to £400m.
34. Further guidance is expected from CIPFA around councils' commercial investment activity and this will be taken into account when considering future opportunities.

PRUDENTIAL AND LOCAL INDICATORS

35. 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 Corporate Director of Finance and Systems will monitor these and report on them at appropriate times. The Council can revise these indicators and limits at any time.
36. All the indicators take account of the proposals in this report and a list of Prudential and Local Indicators is included at Appendix 3.

2019/2022 INDICATIVE CAPITAL PROGRAMME					
DESCRIPTION	Council Priority	2019/20	2020/21	2021/22	Total
		£000	£000	£000	£'000
Schools					
Basic Need : School Places & Condition Issues		18.10			18.10
Devolved Formula Capital		0.37	0.37	0.37	1.11
Capital Maintenance Grant		1.75	1.75	1.76	5.26
Special Educational Needs Grant		1.06	0.34		1.40
Kings Road Primary School – Provision for vulnerable 2 year olds		0.30			0.30
PRU Accommodation at former Brentwood School site				0.85	0.85
Condition Issue Investment				1.20	1.20
Sub-total		21.58	2.46	4.18	28.22
Children's Services					
Foster Carers - Accommodation improvements		0.20	0.19	0.18	0.57
Talkshop, Sale Waterside - YOS development works		0.02			0.02
Sub-total		0.22	0.19	0.18	0.59
Adults Social Care					
Disabled Facility Grants		2.69	2.69	2.68	8.06
Assistive Technology/Technology Innovation		0.17	0.17	0.17	0.51
16Plus Care Leaver Accommodation - Access to Accommodation		0.55			0.55
Sub-total		3.41	2.86	2.85	9.12
Place					
Town Centres Loans Fund		0.10			0.10
Business Loan Scheme		0.25	0.15	0.10	0.50
Altrincham Town Centre – Public Realm		2.38	0.50		2.88
Stretford Town Centre – Public Realm		1.52			1.52
Greater Manchester Full-Fibre Initiative		0.71			0.71

	Council Priority	2019/20 £000	2020/21 £000	2021/22 £000	Total £'000
Public Building Repairs and Compliance Programme		0.60	0.40	0.40	1.40
Leisure Centres - Essential Safety & Compliance Works		0.45	0.15	0.15	0.75
Sale Waterside - Improvement (Phase 3)		0.30			0.30
Standing Desk Provision - Trafford TH & Sale Waterside		0.03			0.03
Trafford Town Hall - Working space expansion		0.01			0.01
Leisure Strategy - "Increasing Physical Activity"		12.98	20.83		33.81
Urmston Leisure Centre - Sensory Room		0.22			0.22
Integrated Transport Schemes		0.40	0.30	0.30	1.00
Residents Parking Schemes		0.59			0.59
Metrolink Extension Works - Council contribution		8.00			8.00
Integrated Transport : S.106 Funded Programme		0.06			0.06
Manchester Airport Investment		3.70	1.90		5.60
Highways Structural Maintenance (Inc Pot Hole & Highways Incentive grants)		5.84	2.94	2.94	11.72
Highway Maintenance - S.106 Funded Programme		0.07			0.07
Parks Infrastructure		0.10	0.10	0.10	0.30
Countryside Access – Infrastructure & Biodiversity		0.04	0.04	0.04	0.12
Play Area Refurbishments		0.10	0.10	0.10	0.30
Parks - Mandatory Signage		0.01			0.01
Football Facility Provision		1.03			1.03
Parks & Open Space, Outdoor Sports & RRF - S.106 Funded Programme		0.82			0.82
Parking - Tariff change requirements		0.09			0.09
Assistance to Owner Occupiers		0.04	0.04		0.08
Housing Standards / Empty Property Initiatives		0.03	0.03	0.02	0.08

	Council Priority	2019/20 £000	2020/21 £000	2021/22 £000	Total £'000
Affordable Housing Fund : S.106 Funded Programme		1.30			1.30
Sub-total		41.77	27.47	4.16	73.40
Governance & Community Strategy					
CCTV Transformation Programme - Phase 2		0.05			0.05
Sub-total		0.05			0.05
Finance & Systems					
ICT Investments		0.40			0.40
SAP Systems Landscape – Upgrades		0.25			0.25
Windows 10 - Implementation & Rollout		0.25			0.25
Sub-total		0.90			0.90
GENERAL PROGRAMME TOTAL		67.93	32.99	11.36	112.28
Capital Investment Portfolio		100.00			100.00
TOTAL INVESTMENT		167.93	32.99	11.36	212.28



Building Quality, Affordable and Social Housing



Health and Wellbeing



Successful and Thriving Places



Children and Young People



Pride in Our Area



Green and Connected



Targeted support

Prudential and Local Indicators – Estimates

Capital Prudential Indicators	2018/19 Revised £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Capital Expenditure: General Programme Investment Strategy	83.80 256.31	67.93 100.00	32.99 0.00	11.36 0.00
Capital expenditure - the table above shows the estimated capital expenditure to be incurred for 2018/19 and the following three years.				
Capital Financing Requirement as at 31 March	473.49	547.77	546.48	532.66
Capital Financing Requirement (CFR) - 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).				
Financing Cost to Net Revenue Stream	5.6%	4.5%	6.3%	6.3%
Financing costs to net revenue stream - this indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the Council's net revenue stream. The movement from 2019/20 to 2020/21 reflects a change to the Minimum Revenue Provision calculation in respect of the completion of Investment Fund Reserve.				
Incremental Impact on Band D Council Tax (£)	£0.00	£0.00	£0.00	£0.00
Incremental impact on band D council tax – 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 reflect that any additional borrowing is supported by revenue savings or external support.				

Local Indicators for the Asset Investment Strategy	2018/19 Revised £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Gross Commercial Income	5.19	8.09	8.26	5.21
Gross Commercial Income – this is the total estimated level of income to be received from the acquisitions of commercial property and provision of senior debt finance and is required to support new debt costs associated the transactions, with any balance supporting the overall revenue budget.				
Net Commercial Income Stream	1.37	2.41	2.68	0.75
Net Commercial Income Stream – this is the estimated level of income net of any borrowing and other costs to be received from the acquisitions of commercial property and provision of senior debt finance.				
External Interest Cost	(1.32)	(3.04)	(2.93)	(2.10)
External Interest Cost – this is the interest cost of the new debt required to cover the capital cost of the new commercial activity.				
Minimum Revenue Provision (2.0% = 50 years)	(0.95)	(1.33)	(1.33)	(1.33)
Minimum Revenue Provision - this is the amount of income set aside as a provision for the repayment of the debt, required to cover the capital cost of the new commercial activity.				
Risk Reserve	(0.10)	(1.07)	(1.07)	(0.79)
Risk Reserve - this is the amount of income set aside to reserve as contingency in the event of a reduction in commercial income levels.				
Gross Commercial Income as proportion of Net Budget	3.16%	4.78%	4.57%	2.73%
Gross Commercial Income as proportion of Net Budget – this illustrates the proportion of the net budget which is supported by the new commercial income streams.				

All the 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.

Public Buildings Repairs and Compliance Programme 2019/20			
Location	Ward	Scheme Description	Value
			£000
Shawe Hall Community Centre	Flixton	Replace the existing gas heaters.	53
War Memorials All (Phase 1)	Borough-wide	Rebuilding works	59
Ascot House	Ashton-on-Mersey	Replacement of damaged floor tiles	11
Stretford Library	Stretford	Replacement fire escape / damp works.	84
Stretford Library	Stretford	Replacement fire alarm system	33
Stretford Library	Stretford	New boiler plant and associated works	66
Unforeseen Urgent Works	Borough-wide		45
Partington Children's Home	Bucklow St.Martins	Replacement of damp floor	10
Claremont Centre	Priory	Fire Alarm	11
Watling Gate - (Phase 2)	Timperley	Protection of listed building	20
16/18 Shaw's Road	Altrincham	Boundary wall works	10
Shawe View Hostel	Flixton	Replacement lighting controls and fittings.	19
Broome House	Longford	External repairs, windows and pointing	80
Sale Water Park	Priory	Health & Safety works	26
DDA	Borough-wide	Compliance with the Equalities Act 2010	73
Public Building Repairs Programme Total			600

Integrated Transport Programme 2019/20			
Location	Ward	Scheme Description	Value
Casualty Reduction Scheme			£000
Speed surveys	Borough-wide	Various speed surveys	5
Speed Reduction Signs	Borough-wide	Moved to different locations around the Borough	30
Glebelands Road	Ashton-on-Mersey	Collision reduction scheme	77
Casualty Reduction Scheme Total			112
Collision Studies			
Park Road, (to include speed and traffic counts)	Timperley	Feasibility	5
Stockport Road , (to include speed and traffic counts)	Timperley	Feasibility	5
Barton Road junction of Urmston Lane	Stretford	Feasibility	3
Bentinck Road	Altrincham	Feasibility	3
Collision Studies Total			16
Residents Parking Schemes			
Trafford General Hospital - Review	Davyhulme West	Review	12
Proposed Traffic Regulation Orders (TRO)			
Introduction of TRO's	Borough-wide	Feasibility, design & Implementation of TRO's	57
Proposed Minor Works			
Various Borough-wide Minor Works	Borough-wide	Various works inc. dropped crossings, bollards	100
Disabled Persons Parking Places	Borough-wide	Introduction/removal of DPPP	35
Electronic Vehicle Charging Points	Borough-wide	New application	4
VMS And VAS	Borough-wide	Assessment/repair of existing asset	34
Safety around schools	Borough-wide	Experimental Closures /20mph zones around schools	30
Proposed Minor Works Total			203
Integrated Transport Programme Total			400

Highways Structural Maintenance Programme 2019/20			
Location	Ward	Scheme Description	Value
General Schemes			£000
Patching and Pot Holes	Borough-wide		175
Street Lighting	Borough-wide		200
Public Rights of Way	Borough-wide		30
Drainage	Borough-wide		150
Markings, Signs and Street Furniture	Borough-wide		120
Cycleways - Resurfacing Programme	Borough-wide		65
Footway Resurfacing Programme	Borough-wide		163
Surveys			70
Incentive Fund Requirements			25
Advanced Design			75
Joint Treatment and overbanding	Borough-wide		19
General Schemes Total			1,092
Surface Dressing / Micro Asphalt			
Alexandra Road	Sale Moor	Surface Dressing / Micro Asphalt	11
Alphonsus Street	Clifford	Surface Dressing / Micro Asphalt	13
Balmain Road	Davyhulme West	Surface Dressing / Micro Asphalt	14
Boyer Street	Longford	Surface Dressing/Micro Asphalt	11
Eldercroft Road	Village	Surface Dressing / Micro Asphalt	24
Harold Street	Clifford	Surface Dressing / Micro Asphalt	13
Hadfield Street	Clifford	Surface Dressing / Micro Asphalt	22
Iona Way	Davyhulme East	Surface Dressing / Micro Asphalt	15
Lambourn Road	Davyhulme West	Surface Dressing / Micro Asphalt	13
Lansdowne Road	Flixton	Surface Dressing / Micro Asphalt	16
Lawrence Road	Altrincham	Surface Dressing / Micro Asphalt	15
Lester Street	Stretford	Surface Dressing / Micro Asphalt	10
Malvern Avenue	Flixton - Urmston	Surface Dressing / Micro Asphalt	12

Northumberland Road	Clifford - Longford	Surface Dressing / Micro Asphalt	14
Valley Road	Davyhulme West	Surface Dressing / Micro Asphalt	13
South Lonsdale Street	Gorse Hill	Surface Dressing / Micro Asphalt	14
North Lonsdale Street	Gorse Hill	Surface Dressing / Micro Asphalt	15
Sibson Road	Priory	Surface Dressing / Micro Asphalt	6
Woodlands Avenue	Flixton	Surface Dressing / Micro Asphalt	5
Willow Road	Partington	Surface Dressing / Micro Asphalt	5
Walnut Road	Partington	Surface Dressing / Micro Asphalt	18
Gorse Square	Partington	Surface Dressing/Micro Asphalt	3
Plane Tree Road	Partington	Surface Dressing/Micro Asphalt	6
Daniel Adamson Avenue	Partington	Surface Dressing/Micro Asphalt	9
Marine Avenue	Partington	Surface Dressing/Micro Asphalt	3
Constance Road	Partington	Surface Dressing / Micro Asphalt	5
Dean Close	Partington	Surface Dressing / Micro Asphalt	5
Wellfield Road	Hale Barns	Surface Dressing / Micro Asphalt	28
Surface Dressing / Micro Asphalt Total			338
Highways Resurfacing			
Balmoral Road	Flixton	Junction of Mansfield Road to junction with Chassen Rd	37
Barton Dock Road	Davyhulme East	(2 year- annual investment programme) South Section from Peel Circle (not inclusive) to slip road of Park Way (500m)	209
Ayres Road	Clifford	100m East from end of speed table - junction with Addison Crescent (Including area of Width Restriction)	21
Barton Road	Stretford	Barton Road Gyratory to No. 128 (4 year- annual investment programme)	85
Bent Lane	Bowdon	Paddock Lane to 2 Newton Bank Cottages Identified for 40mm inlay.	82
Bow Green Road	Bowdon	Dunham Road to Bow Lane	84

Brooklands Road	Brooklands	From Junction with Framingham to Baguley Brook MCC boundary middle of road. (4 year- annual investment programme)	66
Dane Road	Priory	From junction with Cross St to Metrolink station	13
Sydney Street	Stretford	A56 Chester Road to Cyprus Street	17
Pheasant Rise	Bowdon	Full extent. (Stripped out surface)	49
A56 Manchester Road	Broadheath	Navigation Rd to traffic lights at George Richards Way	94
Wadham Way	Hale Barns	Full extent	31
Fearnlea	Hale Barns	Full extent	28
Highways Resurfacing Total			816
Highways Reconstruction			
Adamson Circle	Davyhulme East	Full roundabout 150m	99
Alderley Road	Flixton	Full extents 190m	73
Back Lane	Bowdon	330m from Station Road East Bound (3 year- annual investment programme)	88
Bent Lanes	Davyhulme West	From junction with Woodhouse Road to Junction with Shipley View including Bent Lanes stretch to junction of Daveylands	74
Barton Dock Road	Davyhulme East	From Ellesmere Circle to Bright Circle	206
Carrington Lane	Bucklow St Martins	325m from layby near Sale Sharks to beginning of layby near Bury FC Training Ground	141
Clarendon Road	Flixton	Full extents from Woodsend Road to end of adoption 56m into Cul De Sac + 10sqm from Clarendon Rd towards the shop frontages	33
Craven Road	Broadheath	Sinderland Rd roundabout to Barlow Rd	330
Hale Road	Hale Barns	Rivington Road to Grange Avenue (4 year programme investment)	160
Henshaw Street	Stretford	School to School Road	97

Hope Road	Brooklands - Priory	Marsland Rd to South Grove 200m (3 year programme of investment)	66
Kings Road (West)	Longford	Edge Lane to Truro Avenue	189
Kingsway	Stretford	(Eastbound) Stretford (Barton Road to Bennett St (5 year- annual investment programme)	155
Moreton Avenue	Stretford	Full extents From Derbyshire Lane to Pritchard Street	68
Norfolk Gardens	Flixton	Full extents from Woodbridge Road junction to Woodsend Road junction	130
Norris Road (West)	Brooklands	Derbyshire Road South to Cumberland Rd (4 year- annual investment programme)	204
Oldfield Road	Altrincham	Walton Road to No352	191
Park Road	Timperley	Meadowbank to Riddings Road	93
Redclyffe Road	Davyhulme East	From Bridge to B&Q Entrance (306m)	88
Stockport Road	Timperley/Altrincham	530m from Woodlands Parkway to Wellington Road	179
Stockport Road	Timperley - Village	Mottram Drive to Shaftsbury Ave	56
Warburton Lane	Bucklow St Martins	275m from junction with Dunham Rd towards Partington	203
Highways Reconstruction Total			2,923
Concrete Repairs and Reconstruction			
Braemar Avenue	Stretford	Concrete repairs	89
Kendal Road	Gorse Hill	Concrete repairs	83
Kingsley Avenue	Urmston	Concrete repairs	19
Warwick Drive	Urmston	Between Canterbury Rd and Leamington Rd junctions	38
Craig Avenue	Urmston	From junction of Bowfell Rd to Moorside Rd	10
Concrete Repairs and Reconstruction Total			239
Bridges Programme			
Asset Management			
Principal and General Inspections	Borough-wide	6-yearly and 2-yearly inspections	75

Asset Management	Borough-wide	PONTIS development and maintenance. Identify structures require structural reviews and carry out the required structural reviews management plans	20
Structural Assessment, Studies and Advanced Design of 2020/21 schemes	Borough-wide	Assessment, studies and design subject to finding of structural reviews	30
Minor remedial works and routine maintenance	Borough-wide	General maintenance, e.g. vegetation removal, masonry repointing	40
Maintenance Schemes			
Cornbrook Culvert (Phase 2)	Clifford	Continuation of 2018/19 works	45
Brooklands Canal Bridge	Priory/Brooklands	Steps refurbishment	25
Sir Matt Busby Way Canal Bridge	Gorse Hill	Accidental damage parapet repairs	20
Wellington Road Footbridge	Altrincham/Timperley	Steelwork and concrete repairs	20
Graythwaite West	Hale Barns	Design for new bridge replacement in 2020/21	40
Churchgate Footbridge	Urmston	New bridge	60
Moat Park Bridge	Altrincham	Parapet replacement and refurbishment	20
Lakeside Culvert	Priory	Retaining wall refurbishment	20
Waterside Plaza Retaining Wall	Priory	Masonry repairs and repointing	15
Bridges Programme Total			430
Highways Structural Maintenance Programme Total			5,838

Greenspace Programme 2019/20			
Location	Ward	Scheme Description	Value
Play Area Refurbishments			£000
Abbotsfield Park	Flixton	See saw replacement	8
Crossford Bridge	Sale Moor	Fencing	10
Davies Road	Bucklow St.Martins	Revamp needed	15
Longford Park - Younger	Longford	Music play	10
Pickering Lodge	Timperley	Slide unit replace	8
Trafford Wharf Road	Gorse Hill	Remove	2
Weathercock Farm	Priory	Damage to surface	2
Woodstock Park - Older	Broadheath	Zip wire replacement	2
Flixton House	Flixton	Log Walling / surface repairs	5
Stamford Park	Hale Central	Multi-play unit replacement	20
Worthington Park	Sale Moor	Outdoor fitness equipment replacement	18
Play Area Refurbishments Total			100
Parks Infrastructure			
Longford Park	Longford	Surface has failed - used as Park Run venue	37
Victoria Park	Stretford	Greenflag park - report noted trip hazards	10
Walton Park	Brooklands	Path - highlighted in Green Flag report twice	15
Walkden Gardens	Priory	Greenflag park - sections of path flood	10
Woodheys Park (<i>New footpath</i>)	Broadheath	Greenflag park - no formal footpath	18
Davyhulme Park	Davyhulme East	Greenflag Park - noted trip hazards	10
Parks Infrastructure Total			100
Infrastructure & Biodiversity			
Broad Ees Dole	Priory	Habitat	10
Wellacre	Davyhulme West	Access	10
Queen's Field	Urmston	Bike trail	10
Torbay Road	Urmston	Access	10
Infrastructure & Biodiversity Total			40
Greenspace Programme Total			240

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee 6 February 2019
Executive and Council 20 February 2019
Report for: Decision
Report of: The Executive Member for Finance and the Corporate
Director of Finance and Systems

Report Title

TREASURY MANAGEMENT STRATEGY 2019/20 – 2021/22

Summary

This report outlines the:-

- strategy to be implemented during this period for investments and borrowing,
- outlook for interest rates,
- management of associated risks,
- policy to be adopted on Minimum Revenue Provision (MRP) and
- Prudential Indicators.

Recommendations

That the Accounts & Audit Committee recommend Executive note the report and request Council to approve the Treasury Management Strategy 2019/20 – 2021/22 including the:

- policy on debt strategy as set out in section 3;
- investment strategy 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
Relationship to GM Policy or Strategy Framework	Not applicable
Financial	The treasury management strategy will aim to maximise investment interest whilst minimising risk to the Council. The Council's debt position will be administered effectively and any new loans taken will be in-line with that provided for within the Medium Term Financial Plan.
Legal Implications:	Actions being taken are in accordance with legislation, Ministry of Housing, Communities & Local Government (MHCLG) guidance, Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice.
Equality/Diversity Implications	Any equality and diversity implications are as set out in this report
Sustainability Implications	Not applicable
Staffing/E-Government/Asset Management Implications	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 risks 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 and Safety Implications	Not applicable

Summary

The purpose of this report, which has been prepared in accordance with the Council's Financial Procedure Rules number 8, is to outline the forecasted treasury management activities for the forthcoming three years. Further reports are produced during the course of the year informing Members of the preceding financial year's actual activities together with a current mid-year update.

Economic position (Appendix 2)

Brexit negotiations between the UK Government and the European Union are set to continue to dominate the headlines during the forthcoming year and the impact these will have on both economies remains uncertain at this time. The general world economic climate is likely to weaken from the current position and Appendix 2 highlights the main economic events of 2018 and projections for 2019 for reference.

Debt (Section 3)

Borrowing interest rates whilst forecasted to rise marginally from their current position are still forecast to remain low during the next 12 months. Any new external borrowing will be taken to assist finance the Council's capital borrowing requirement as outlined in the 2019/22 Capital Programme report with all associated costs being contained within the Medium Term Financial Plan.

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

Investments (See Section 5 and Appendix 3)

The Council's investment criteria remains unchanged from that previously adopted of security of capital first, then liquidity of its cash flows and finally yields.

The Council is required to agree the lending criteria, which is primarily determined by credit ratings issued by the 3 major credit rating agencies as detailed at Appendix 3.

Prudential Indicators and limits (Section 7 and Appendix 3)

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

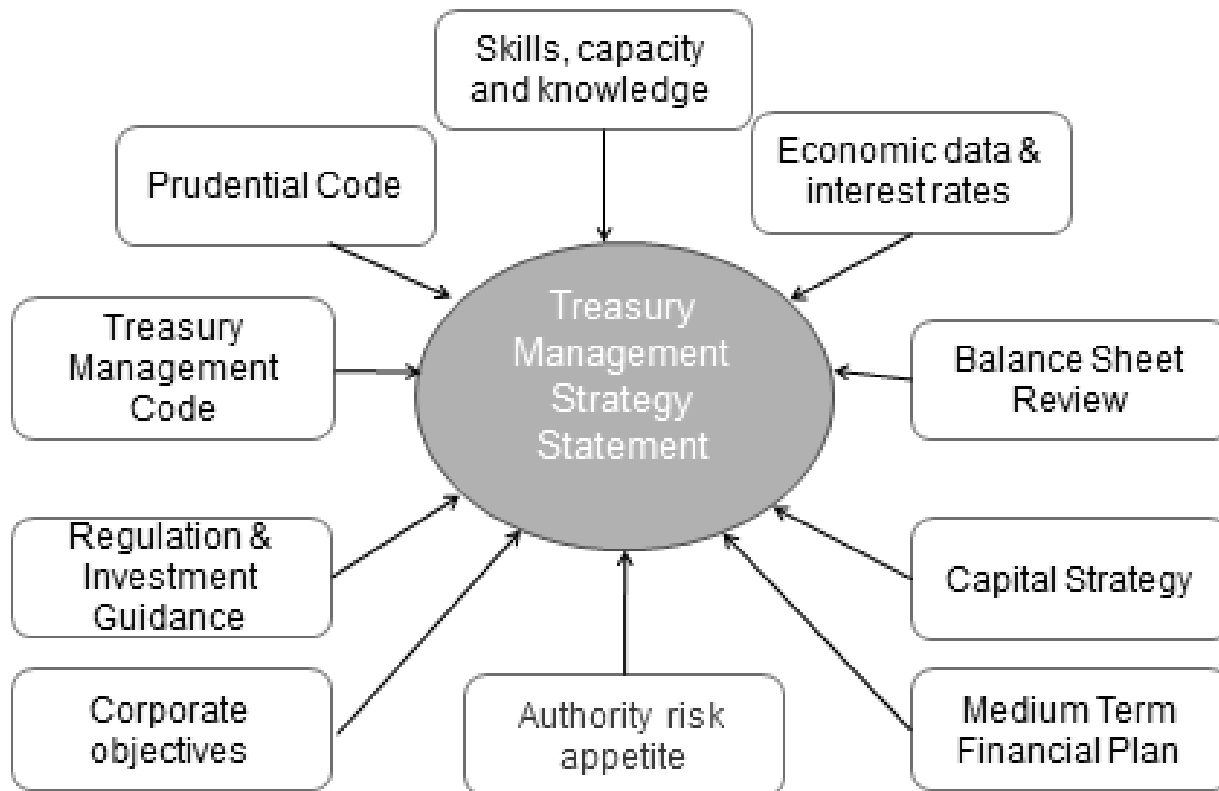
Medium Term Financial Plan (See Appendix 7)

Appendix 7 reflects the current forecasted financial requirements of the Council's treasury management functions during this reporting period.

Background

- 1.1 The Council is required to operate a balanced budget with cash raised during the year being used to pay for spend incurred. Part of the treasury management operation is to ensure that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet service activity with any temporary surplus monies being invested in low risk institutions.
- 1.2 A further function of the treasury management service is to ensure that the Council's capital borrowing requirement, the longer-term cash flow planning, is provided for. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. In addition to this and when it is prudent to do so, any debt previously obtained may be restructured.
- 1.3 The contribution the treasury management function makes to the Council's financial position is critical, as failure to provide sufficient funding on days of requirement would result in those payments not being made which could also have a serious negative impact on its reputation. In addition to this, cash balances generally result from reserves and balances and it is paramount to ensure adequate security of the sums invested is achieved as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.4 For Members reference the diagram below identifies all the necessary factors which are considered in preparing the Annual Treasury Management Strategy:

Treasury Management – Key Drivers



- 1.5 Treasury management as defined by the Chartered Institute of Public Finance Accountancy (CIPFA) is:
- “The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*
- 1.6 In December 2017, CIPFA issued a revised Treasury Management Code of Practice which primarily focused on non-treasury investments, particularly the purchase of property with a view to generating income. This update has clarified CIPFA’s position in that it has now drawn a cleaner separation between treasury and non-treasury investments, the latter being included in the Capital Programme report.
- 1.7 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are classed as non-treasury activities, (arising usually from capital expenditure) and are separate from the day to day treasury management activities. Details of these transactions are shown in Appendix 8 for reference.
- 1.8 Members are required to receive and approve, as a minimum, 3 reports annually which incorporate a variety of policies, forecasts and actuals as follows;
- **Annual treasury strategy** (issued February and includes);
 - A Minimum Revenue Provision (MRP) policy (this reflects capital expenditure previously financed by borrowing and how the principal element is charged to revenue over time),
 - The treasury management strategies (how the investments and borrowings are to be organised) including treasury prudential indicators and limits and
 - An investment strategy (the parameters on how investments are to be managed).
 - **Mid-year update** – (issued November / December and provides an);
 - update for members with the progress of the treasury management activities undertaken for the period April to September and
 - opportunity for amending prudential indicators and any policies if necessary.
 - **Annual outturn** – (issued June and contains);
 - details of actual treasury operations undertaken in the previous financial year.
- 1.9 Each of the above 3 reports are required to be adequately scrutinised by the Accounts & Audit Committee before being recommended to either Executive or Council for final approval.
- 1.10 All treasury management transactions undertaken will comply with the statutory requirements together with Ministry of Housing Communities & Local Government (MHCLG) Guidance and CIPFA Treasury Management Code of Practice which the Council has previously adopted. A brief outline of these frameworks is provided at Appendix 1.
- 1.11 This report which has been prepared in accordance with the required statutory regulations and guidance includes;
- Economic & Interest Rate forecast (section 2)
 - Debt Strategy (section 3)
 - Minimum Revenue Provision (section 4)
 - Investment Strategy (section 5)

- Investment Risk Benchmarking (section 6)
- Prudential Indicators (section 7)
- Related Treasury Issues (section 8)
- Recommendations (section 9).

- 1.12 The Council uses Link Asset Services (LAS) as its treasury management advisors who provide a range of services on all treasury matters from the supply of credit ratings to technical support. The Council recognises that there is value in employing external providers for this service in order to acquire access to specialist skills and resources and the provision of this service is subject to regular review.
- 1.13 Whilst the advisors provide support to the in-house treasury management team, the Council recognises that the final decision on all treasury management matters remains with it at all times.
- 1.14 The scope of investments within the Council’s operations now includes both conventional treasury investments, (the placing of residual cash from the Council’s functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisors and the Council uses CBRE in relation to this activity.
- 1.15 The Council further acknowledges 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.
- 1.16 In order to assist with this undertaking, a Member training event was provided on 16 October 2018 and similar events will be provided when required. Officers will continue to attend courses / seminars presented by CIPFA and other suitable professional organisations.

2. Economic & Interest Rate forecast

- 2.1 During 2018 the world economic growth was relatively good primarily due to strong growth generated in the United States of America (US) however the US position is forecasted to fall back in 2019 which together with a weakening economic position in China, has resulted in forecasters predicting the outlook for world growth to weaken from its current position.
- 2.2 Further details on the major economic events which occurred during 2018 and forecasts for 2019 are outlined at Appendix 2 for reference.
- 2.3 LAS produces interest rate projections periodically throughout the year and the latest forecasts (November 2018) covering the period up to March 2022, are highlighted in the table below;

Average rates	2018-19 Forecast %	2019-20 Forecast %	2020-21 Forecast %	2021-22 Forecast %
Bank Rate	0.70	1.00	1.35	1.75
Investment Rates (LIBID)				
3 month	0.70	1.10	1.45	1.80
1 Year	0.95	1.40	1.80	2.20
PWLB Loan Rates				
5 Year	1.95	2.25	2.45	2.70
25 Year	2.80	3.05	3.30	3.50

- 2.4 The interest rate forecasts provided by LAS above have been prepared on the assumption that an agreement is reached on Brexit between the UK and the EU.

In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut the Bank Rate from its current level of 0.75% in order to help economic growth with short to medium term borrowing rates also falling. If however there was a disorderly Brexit, then any cut in Bank Rate would likely last for a longer period of time and increase short and medium borrowing rates.

- 2.5 The Council will continue to adopt a cautious approach to its treasury management activities whilst utilising the information available from both LAS and other external sources which may become available during this time.

3. Debt Strategy

- 3.1 The level of the Council's loans as at 31 December 2018 totalled £195.9m which is split between Public Works Loan Board (PWLB) £155.5m & Market (banks & publically funded companies) £40.4m. A breakdown of this debt is provided for reference at Appendix 6.
- 3.2 The Council holds, as mentioned above £40.4m of Market loans and of these £20.0m are held as variable rates of interest in the form of Lender's Option Borrower's Option (LOBO) loans. On this type of loan, the lender has the option to propose an increase in the interest rate at set dates and should this situation occur then the Council can either accept the new rate or repay the loan at no additional cost. In accordance with the Corporate Director of Finance and Systems delegated authority, should an opportunity present itself to repay a LOBO loan then this option will be fully examined to determine whether any financial benefit could be obtained including taking a replacement loan from the PWLB. The remainder of the Market loans, £20.4m are held at fixed rates of interest.
- 3.3 In addition to the borrowing undertaken directly, the Council is also responsible for a further £0.6m of loan debt 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.
- 3.4 The underlying need to borrow derives from the Capital Financing Requirement (CFR) and represents the level of capital expenditure incurred which has not yet been paid for by revenue or other capital resources, for example capital receipts or grants.
- 3.5 The CFR is not allowed to rise indefinitely and statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset with an annual revenue charge, the Minimum Revenue Provision. The Minimum Revenue Provision charge reduces the CFR each year.
- 3.6 Also included within the CFR are any other long-term liabilities (e.g. Private Finance Initiative (PFI) schemes and finance leases) and whilst these increase its overall balance the Council's borrowing requirement is not increased as this type of scheme includes a borrowing facility by the PFI or lease provider. The Council currently has £5.3m liability of such schemes within the CFR which is set to fall to £4.5m as highlighted in the table below;

	2018/19	2019/20	2020/21	2021/22
	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Other long-term liabilities – (1 April)	5,556	5,319	5,067	4,799
Expected repayment	(237)	(252)	(268)	(285)
Other long-term liabilities – (31 March)	5,319	5,067	4,799	4,514

- 3.7 As a result of previous years capital spending being temporarily financed by cash supporting the Council's reserves, balances and cash flow, it has avoided the need for new external loans to be taken out resulting in the Council continuing to be in an under-borrowed position (CFR balance being higher than the level of external debt). As at 31 March 2018 the Council's under borrowed position was £30.7m and this is currently set to rise to £41.0m by 31 March 2019.
- 3.8 This policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years due to debt interest rates being consistently higher than investment returns and which is forecasted to continue for the foreseeable future. This situation however will continue to be carefully monitored to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 3.9 Included within the Council's MTFP is a limited budgetary provision to cover interest costs for taking on new debt and the amount applied to finance the capital spend incurred, principal, is being reinstated via the Council's annual MRP charge which is explained in more detail at section 4 and Appendix 3.
- 3.10 The Corporate Director of Finance and Systems will continue to monitor interest rates and adopt a sensible approach to changing circumstances within the 2019/20 treasury operations before taking on any new debt to finance a proportion of the Council's capital investment projects or Asset Investment Property programme.
- 3.11 The table below highlights the potential level of external debt the Council may need to undertake during the period 2018/19 to 2021/22 ;

	2018/19	2019/20	2020/21	2021/22
	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Debt at 1 April	164,268	438,291	552,850	548,301
External Debt maturing	(4,018)	(4,791)	(16,495)	(3,215)
New Debt requirement	278,041	119,530	11,943	100
Debt at 31 March	438,291	552,850	548,301	545,186

- 3.12 In order to assist short term cash flow or finance longer term capital investment, the Council has the powers to borrow new funds from a variety of sources comprising of;
- Other local authorities,
 - The Government via the Public Works Loan Board, (PWLB),
 - Dedicated publicly funded companies e.g. Salix,

- Municipal Bond Agency, or
 - Financial institutions within the money market.
- 3.13 In the event the Corporate Director of Finance and Systems takes out any new debt or undertakes any restructuring, this action will be processed in accordance with the Council's approved scheme of delegation and reported to Members at the earliest opportunity.
- 3.14 The uptake of new long term debt is done in accordance with a number of factors such as affordability, proposed life of the asset, current interest rate projections and advice obtained from the Council's external advisors.
- 3.15 In a few instances, short term borrowing (up to 3 years) will need to be taken out prior to a receipt or income stream being received which would then be used to service debt costs. Based on the current capital programme spend profile this is currently forecasted to cost the Council £184k for the period 2019 to 2022 and is based on expenditure totalling £9.9m which will be temporarily funded from the Council's reserves.
- 3.16 As short term borrowing rates are cheaper than longer term fixed interest rates, there may be potential opportunities to repay debt prematurely. The cost of premiums incurred however due to early repayment, will be taken into account before any restructuring is undertaken.
- 3.17 The Council retains the flexibility to borrow funds in advance of requirement should market conditions unexpectedly change i.e. a sharp rise in interest rates is suddenly expected and any decision to borrow in advance will ensure that funds are taken within the forward approved CFR estimates
- 3.18 No new loans will be taken ahead of schedule purely to profit from the investment of the extra sums borrowed and any borrowing taken by the Corporate Director of Finance and Systems in advance of need will be done in accordance with delegated powers and 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 obtained in this manner and
 - the Council would not look to borrow more than 12 months in advance of need.
- 3.19 The Council's debt maturity profile 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 their respective market LOBO loans.
- 3.20 *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 to CIPFA's prudential code before the commencement of each financial year. These limits are detailed at Appendix 3.*

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) if required.
- 4.2 *The Council is requested, in accordance with MHCLG regulations, to approve an MRP Statement in advance of each year and this is detailed at Appendix 3.*

5. Investment Strategy

- 5.1 The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the Council's Asset Investment Strategy, are covered in the Capital Strategy, (a separate report).
- 5.2 The Council undertakes investments, in the form of temporary surplus income which has been received in advance of spend requirement and from its balances and reserves which it holds. The primary principle governing the Council's investment criteria is **SLY**, **S**ecurity of its investments, followed by **L**iquidity whilst ensuring that a reasonable level of **Y**ield is also achieved.
- 5.3 In the continuing environment of low investment interest rates the Council is restricted in its operations to be able to generate a significant return from its investments without exposing it to additional risk factors. To search for that extra return in order to ease revenue budget pressures would expose the Council to more risk of using an institution which could possibly default. The current approach of applying SLY as outlined at paragraph 5.2 above will therefore continue to be adopted.
- 5.4 With respect to this, the Council's in-house treasury management team will not actively seek to place funds with institutions paying considerably over and above market levels and will continue to carry out proper and full risk assessments of any new product which may come onto the market before committing funds into it.
- 5.5 All of the Council's investments are undertaken in accordance with guidance issued by both the MHCLG and CIPFA and whilst investment risk will never completely be eliminated, it can be minimised and in order to reduce the risk of an institution defaulting, the Council creates and maintains a list of high creditworthy institutions which enables it to place funds across a wide range of strong quality institutions.
- 5.6 The Council will only use institutions which are located in a country with a minimum Sovereign Long term credit rating of AA-. A list is achieved by stipulating that where an institution has been issued with a credit rating it must have a minimum Long Term rating of A- and Short Term rating of F1 or equivalent as issued by 2 of the 3 main independent rating agencies Fitch, Moody's and Standard and Poor's. These minimum requirements represent, in the opinion of the credit rating agencies, the long and short term (greater than 12 months and up to 12 months respectively) financial strength of that institution.
- 5.7 This approach uses real time credit rating information provided by LAS and enables an institution should they meet or no longer meet the minimum credit criteria required to be immediately included on or removed off the approved list.
- 5.8 A full explanation of the credit ratings determining the institutions which the Council will use can be found at Appendix 5.
- 5.9 The Council's in-house treasury management team recognises ratings should not be the sole basis of determining the quality of an institution. To achieve this, the Council will with LAS, monitor market pricing on additional factors such as "credit default swaps" (CDS) and overlay this information on top of the credit ratings. This additional market information is detailed for Members' reference at Appendix 5.
- 5.10 In all instances when funds are being placed, the Council's in-house treasury management team will, apart from when it places funds with other local authorities which are predominately unrated and Money Market Funds as only AAA rated funds are used, always ensure that the institution:

- has been issued with both a Long and Short term credit rating from 2 of the 3 main agencies,
 - that the credit ratings issued meet the minimum required and the institution appears on the Council's approved list,
 - has a minimum Long Term rating of AA if funds are to be placed for a period in excess of 1 year,
 - that the CDS, where issued, does not show any adverse confidence in the institution and
 - the rate of interest rate being offered is in-line with levels paid by other institutions in the market for the same period.
- 5.11 Investment instruments identified for use in the financial year together with institution limits are detailed in Appendix 3.
- 5.12 Members are asked to approve this base criteria, however the Corporate Director of Finance and Systems 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.
- 5.13 Investments will continue to be placed into three categories as follows;
- Short-term – cash required to meet known cash flow outgoings in the next month, plus a contingency to cover any unexpected transaction over the same period with bank call / notice accounts and money market funds 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 ultra-short dated bond 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, government bonds or the Local Authority Property Investment fund, after taking into consideration the forecasted interest rate yield curve.
- 5.14 Use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category and these will only be used where the Council's liquidity requirements are safeguarded and be limited to the Prudential Indicator detailed at Appendix 3.
- 5.15 The largest UK banks were required by UK law, to separate core retail banking services (day to day operations) ring-fenced bank, (RFB) from their investment and international banking non-ring-fenced bank, (NRFB) activities from 1st January 2019. This is intended to ensure that the bank's core activities are not adversely affected from its more risky business. While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not and the Council will continue to assess the banks in the same way that it does with any other investment institution.
- 5.16 The level of the Council's investments together with the average interest rate, as at 31 December 2018, is provided for reference at Appendix 6.
- 5.17 *The Council is requested to approve;*
- *the adoption of the above Investment strategy and*
 - *the minimum criteria for providing a list of high quality investment institutions, instruments and limits to be applied as set out at Appendix 3.*

6. Investment Risk Benchmarking

6.1 The CIPFA Code of Practice and MHCLG Investment Guidance require that appropriate security and liquidity benchmarks are considered and reported to Members with details of these being provided in Appendix 5.

6.2 Benchmarks are simple guides (not limits) to maximum risk for use with cash deposits and so may be breached from time to time, depending on movements in interest rates and institution criteria. The purpose of the benchmark 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 the benchmarks proposed are;

- Security - each individual year the security benchmark is:

1 year investments	2 year investments	3 year investments
0.05%	0.04%	0.10%

Note - This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment. At 31 December 2018 the Council's default rate of its investments placed was 0.011% which is 0.039% below the 1 year benchmark of 0.05%.

- Liquidity – Weighted Average Life (WAL) - benchmark for 2019/20 is set at 6 months, with a maximum of 3 years for cash time deposits;
 - Liquid short term deposits - at least £10m is available within a week notice;
- Yield - Internal returns are aimed to achieve above the 7 day London Interbank Deposit (LIBID) rate without sacrificing any Security aspects.

7. Prudential Indicators

7.1 A number of prudential indicators have been devised for the treasury management process and these have been designed to assist managing risk and reducing the impact of an adverse movement in interest rate. These indicators have been set at levels which do not restrict day to day activities being undertaken and at the same time ensure the Council's capital expenditure plans are prudent, affordable and sustainable.

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

8. Related Treasury Issues

8.1 Greater Manchester Pension fund (GMPF). During 2017/18, the Council along with several other local Councils took advantage of GMPF wider investment powers and paid over 3 years' employer pension contributions at a discounted rate.

8.2 Asset Investment Strategy. During 2017/18 the Council introduced a programme to acquire suitable assets which will deliver significant economic development and regeneration benefits for the area and/or increase the Council's income generating capacity thereby enabling it to maintain the provision of services in future years.

- 8.3 Whilst the above projects are policy related activities and therefore not deemed to be treasury management, their implementation will have an impact on the Council's cash flow which is considered on each occasion.
- 8.4 International Financial Reporting Standards 9 (IFRS9) – This is being introduced in response to the 2008 financial crisis and is designed to generate transparency in the Council's accounts enabling the reader to fully assess the worth and risk of its financial instruments. IFRS 9 is primarily a re-classification not a re-valuation exercise and its introduction is not envisaged to have any major impact for the Council. A possible effect would be however arising from an asset previously being shown on the balance sheet under the available for sale category e.g. property funds, which will now be changed to Fair Value through the Profit and Loss (FVPL) with any profit or loss in revaluation being taken to the accounts in full in the year of measurement. To mitigate against this and in response to previous consultation, MHCLG have issued a 5 year override to enable Councils to either arrange for a planned exit over a reasonable time or for potential surpluses to be placed into an unusable reserve and applied to overcome those years when a downward revaluation occurs. The Council will be required to disclose the net impact of the unusable reserve throughout the duration of the 5 year override in order for the Government to keep the override under review and to maintain a form of transparency.

9. Recommendations

That the Accounts & Audit Committee recommend Executive note the report and request Council to approve the Treasury Management Strategy 2019/20 – 2021/22 including the:

- policy on debt strategy as set out in section 3;
- investment strategy 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.

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 2019/20 to 2021/22, which is flexible enough to take account of changes in financial markets. There are an almost infinite number of other options that the Council could consider as part of its treasury management activities. This report however outlines a clear and practical approach which is recommended by the Corporate Director of Finance and Systems.

Consultation

Advice has been obtained from Link Asset Services, the Council's external advisors.

Reasons for Recommendation

The Financial Procedure Rules, incorporating the requirements of the CIPFA Treasury Management Code of Practice requires that the annual strategy report is provided to the Council as an essential control over treasury management activities. In it the Council approves 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 MHCLG Guidance an annual investment strategy (setting out the limits to investment activities) prior to the commencement of each financial year.

Key Decision

This will be a key decision likely to be taken in: February 2019

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

Finance Officer Clearance GB

Legal Officer Clearance DS



Corporate Director's 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 MHCLG 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.

Investment Guidance

MHCLG issued Investment Guidance in 2004 with subsequent amendments being issued periodically thereafter. This Guidance forms the structure of the Council's Investment policy as set out below:

- The strategic guidelines for decision making on investments, particularly non-specified investments;
- Specified investments that the Council will use. These are high security (no guidelines are given defining what this should consist of and each individual Council is required to state what this should be i.e. high credit ratings), 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 2018

GLOBAL-

- World growth was good as a result of strong economic growth in the US however during 2019 this situation is not expected to continue due to a weakening in both the US and China economies being forecasted. In October the International Monetary Fund issued updated forecasts for world growth at 3.7% for both 2018 and 2019.
- Inflation has been primarily weak during the year however as a result of unemployment rates falling to low levels in both the US and UK, an increase in wage inflation is likely to force central banks into a series of increases in bank rates.
- Since the financial crash of 2008 it can now be seen that the measures put in place by the central banks of reducing central bank interest rates together with injecting financial markets with liquidity by Quantitative Easing (a procedure where central banks bought large amounts of central government and other smaller sums of debt), has been successful.

UK-

- The first quarter's pessimism resulting from the adverse weather caused a temporary downward blip for growth of 0.1%, however since then strong returns of 0.4% in quarter 2 and 0.6% for quarter 3 were achieved in response to strong performance in the service sector, the good summer weather and England's World Cup exploits. The outlook for quarter 4 is expected to weaken from this level with the overall growth for 2018 forecasted to be 1.3% y/y.
- Consumer Price Index (CPI) fell from the January 2018 position of 2.7% to 2.0% in December 2018.
- The latest Bank of England quarterly inflation report (November), highlighted that inflation was forecasted to still be marginally above its 2% target in 2020 at about 2.1%.
- At the Monetary Policy Committee, (MPC), meeting in August 2018 the Bank Rate was increased from 0.50% to 0.75%, its highest level since 2008. At their November meeting, the MPC repeated their previous statement that future Bank Rate increases would be gradual and likely to peak at around 2.5% in 2028. It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit however the next increase in Bank Rate is now forecast to be in May 2019 with increases thereafter to be in February and November 2020 before ending up at 2.0% in February 2022.
- Unemployment continues to be at a 43 year low of 4% with employers now having major difficulties filling job vacancies with suitable staff. As a result of which wage inflation picked up to 0.7%, the highest level since 2009 in real terms, wage rates less CPI inflation.

Eurozone –

- Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, however it is still expected to be in the region of nearly 2% y/y.

- Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank has indicated it is likely to end all further purchases in December 2018.
- Inflationary pressures are starting to build with CPI being 1.9% in November after starting the year in January at 1.3%. As a result of this it is expected that the ECB will start to increase rates towards the end of 2019 from their current level of 0.00% where they have been since 2016.
- Unemployment rate fell from 8.6% in January 2017 to 8.1% in October.

US –

- President Trump's massive easing of fiscal policy is generating a temporary boost in consumption which has generated strong growth. The annualised growth rate for quarter 1 was 2.2% peaking at 4.2% in quarter 2 with quarter 3 coming in at 3.5%.
- Unemployment fell from an opening position of 4.1% in January to a 49 year low of 3.9% in December.
- CPI inflation has over the year been consistently over the target rate of 2%, being 2.2% in November after peaking at 2.9% in July.
- In response to the high CPI position, the Fed increased rates another 0.25% in December to between 2.25% and 2.50%, this being the fifth increase in 2018. They also indicated that they now expected rates would be increased a further two more times by the end of 2019. The Fed has also been unwinding its previous quantitative easing purchases of debt by gradually increasing the amount of monthly maturing debt that it has not been reinvesting.
- The current tariff war between the US and China is not expected to have a significant effect on US or world growth.

Other –

- China's economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus. Concerns remain that official economic statistics are inflating the published rate of growth.
- Japan continues to struggle to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

MAIN ECONOMIC FORECASTS FOR 2019

Producing accurate economic forecasts remains difficult as many external factors have an impact on them. Forecasters are currently predicting the following levels of activity for the year ahead and these will be liable to further amendment depending on how economic data and developments in financial markets emerge over the next year. Geopolitical developments, especially in the EU, could also have a major impact;

Indicator	UK	Eurozone	US	China
Growth Domestic Product	1.6%	2.1%	2.7%	6.5%
Consumer Price Index	2.0%	1.9%	2.4%	2.5%
Unemployment Rate	3.7%	7.5%	3.8%	4.2%
Bank Rate	1.25%	0.25%	3.00%	4.50%

Source - Trading Economics & Office for Budget Responsibility

ELEMENTS FOR COUNCIL APPROVAL

(including Prudential and Treasury Indicators, Minimum Revenue Provision & Investment Criteria)

In accordance with the current MHCLG Guidance, CIPFA Treasury Management Code of Practice, 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 2019/20 – 2021/22 as detailed below.

TREASURY PRUDENTIAL INDICATORS AND LIMITS –

In accordance with the current 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 Council is required to approve the prudential indicators and limits affecting treasury management performance as shown below;

	2018/19 estimate £m	2019/20 estimate £m	2020/21 estimate £m	2021/22 estimate £m
Authorised Limit for External debt				
- Non-Commercial	170.0	180.0	185.0	185.0
- Asset Investments	300.0	400.0	400.0	400.0
- Other long term Liabilities (PFI)	5.5	5.5	5.0	5.0
Total	475.5	585.5	585.0	585.0
Authorised external debt limit - This is a key prudential indicator and represents a control on the maximum level of borrowing that the Council will require for all known potential requirements including 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.				
	2018/19 estimate £m	2019/20 estimate £m	2020/21 estimate £m	2021/22 estimate £m
Operational Boundary for External debt				
- Non-Commercial	155.0	165.0	170.0	170.0
- Asset Investments	300.0	400.0	400.0	400.0
- Other long term Liabilities (PFI)	5.5	5.5	5.0	5.0
Total	460.5	570.5	575.0	575.0

Operational boundary - 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.				
	2018/19 estimate £m	2019/20 estimate £m	2020/21 estimate £m	2021/22 estimate £m
Upper limit for Principal sums invested over 1 Year	90	90	90	90
Upper Limit for sums invested for over 1 year – these limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment. Included within this limit are the Manchester Airport Shares which at 31 March 2018 were independently valued at £51.9m and the Church Commissioners Local Authorities Property Investment Fund investment of £5m.				
	2018/19 estimate £m	2019/20 estimate £m	2020/21 estimate £m	2021/22 estimate £m
Upper limits on fixed interest rate exposure based on net debt	5.1	12.8	12.8	12.2
Upper limits on variable interest rate exposure based on net debt	2.2	2.4	2.7	3.1
Upper Interest Limits – identifies the maximum limit for both fixed and variable interest rates exposure based upon the Council’s debt position net of investments.				

Maturity structure of all external loan debt – 2019/20 to 2021/22	Lower limit %	Upper limit %
Under 12 months	0	30
12 months to 2 years	0	30
2 years to 5 years	0	30
5 years to 10 years	0	30
10 years to 20 years	0	30
20 years to 30 years	0	30
30 years to 40 years	0	30
40 years and above	0	90
Maturity Structure of Borrowing – these gross limits are set to reduce the		

Council's exposure to large sums falling due for refinancing and reflect the next date on which the lending bank can amend the interest rate for any Lender Option Borrower Option loans the Council currently has.

Gross Debt and the Capital Financing Requirement – this reflects that over the medium term, debt will only be for capital purposes. The Corporate Director of Finance and Systems will ensure:

- that all external debt does not exceed the capital financing requirement with any exceptions being reported to Council and
- that this requirement has been complied with in the current year, does not envisage difficulties for the future and takes into account current commitments.

All the treasury prudential indicators and limits are monitored on a regular basis with any breaches being reported to Council at the earliest opportunity.

MINIMUM REVENUE PROVISION - (minor changes to policy as highlighted)

In accordance with the current MHCLG 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 and is recommended for approval:

- Capital expenditure financed by Supported Borrowing: MRP will be calculated on a straight line basis over the expected average useful life of the assets (50yrs);
- Capital expenditure financed by Prudential Borrowing: MRP will be based on the estimated life of the assets once operational charged on a straight line or annuity basis in accordance with MHCLG guidance;
- Asset Investment Strategy financed by Prudential Borrowing: Voluntary Revenue Provision (VRP) using the periods stipulated within the MHCLG Guidance of up to 50 years will be applied. By adopting this approach it will enable the Council upon the sale of each asset, to either apply the capital receipt or use the VRP receipts to extinguish debt taken. If the capital receipt is applied then the VRP previously set-aside will have been undertaken for no purpose and therefore can be reclaimed. Annual reviews will be undertaken to ensure that this policy remains prudent and as at 31 March 2019 the total VRP overpayments are forecasted to be £0.955m.
- PFI schemes and leases shown on the balance sheet: MRP will be based on the amount of the principal element within the annual unitary service payment and financed from the provision set-up to cover the final bullet payment. Capital receipts are to be used to replenish this provision to ensure any final bullet payment can still be made in 2028/29;
- 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 the 2010 Guidance;
- In instances where the Council lends funds to a third party and in accordance with the guidelines issued (February 2018) by the Secretary of State, MRP is required to be provided over the useful life of the asset created. The Council in this instance will not follow the guidance but rather treat any advance as

“Serviced debt” and therefore no MRP will be set-aside providing there is an agreed repayment date. Annually the Council will undertake a financial assessment of the third parties ability to repay the debt and where any adverse changes are perceived to be occurring then a provision will be created to cover any future potential financial losses.

- In response to the policy agreed by Council on 22 February 2017, MRP on debt incurred pre 2007/08 was to be provided for using a more appropriately linked procedure based on the average useful life of its assets. As a result of this it was established that the Council has, during the period 2007/08 to 2014/15, previously over-provided MRP by £9.93m. This level of overpayment will be recovered by reducing the annual MRP charge equally over the next four years commencing 2016/17 with the unused MRP budget being transferred to an ‘Investment Fund’ Earmarked Reserve. The use of this Investment Fund will only being deployed on sustainable income generating or ‘invest to save’ i.e. revenue saving programmes or projects of work. This reserve has been applied to support the additional shareholder loan for the Manchester Airport Group which was approved by the Executive on 30 October 2017.

INVESTMENT CRITERIA – (minor changes to policy as highlighted)

Counterparty Selection

The Council will only use institutions which are located in a country with a minimum Sovereign Long term credit rating of AA-. The individual credit criteria, is highlighted below and for categories 1 to 4 this will be applied to both Specified and Non-specified investments. Category 5 applies only to The Church Commissioners Local Authorities Property Investment fund.

The limits shown in the table below are set at a contingency level and operationally monies will be placed with a number of institutions with a maximum 20% of the portfolio being placed with any one institution at the time each investment is made. This situation will be monitored during the course of the year with any corrective action being undertaken at the first opportunity without any financial penalty being incurred.

	Fitch (or equivalent) – Long Term	Maximum Group Limit	Maximum Time Limit
Category 1 – •UK & Non UK Banks (bank subsidiaries must have a parent guarantee in place), •UK Building Societies Institutions must also have an individual minimum short term credit rating of – Fitch F1 or equivalent.	AA to AAA	£75m	3yrs
	A+ to AA-	£25m	1yr
	A- to A	£10m	1yr
Category 2 – UK Banks part nationalised - Royal Bank of Scotland. This bank or its subsidiaries can be included provided it continues to be part nationalised or meets the ratings in category1 above.	-	£20m	1yr

	Fitch (or equivalent) – Long Term	Maximum Group Limit	Maximum Time Limit
Category 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria.	-	n/a	1day
Category 4 – <ul style="list-style-type: none"> • Pooled Investment Vehicles: <ul style="list-style-type: none"> ➢ Money Market Funds ➢ Ultra-Short Dated Bond Funds • UK Government (including treasury bills, gilts and the DMO) • Local Authorities • Supranational Institutions 	AAA AA - - -	£100m	3yrs
Category 5 – <ul style="list-style-type: none"> • Local Authority Property Investment fund 	-	£30m	10yrs

Specified and Non Specified Investments – (no change)

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

- Specified investments are both high security and 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 one year if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. All investments can be held under this definition,
- Non specified investments are any other type of investment not defined as specified above. A maximum of £90m is permitted to be held in this classification as detailed in Appendix 3, Prudential Indicator (5) Upper limit for sums invested over one year.

Instruments & Maximum period

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

Specified Investments

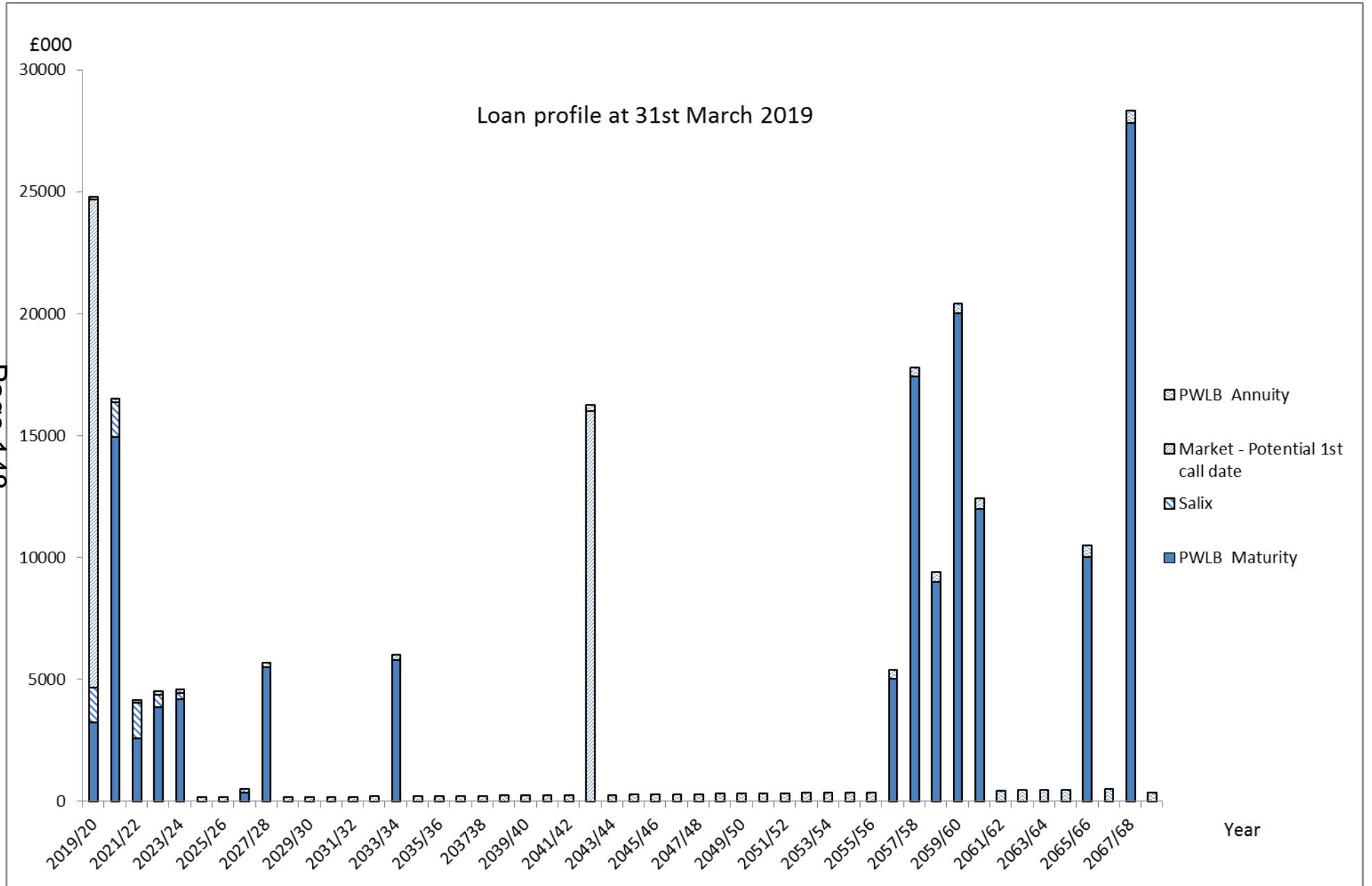
Investment	Maximum Maturity
The UK Government including Local Authorities and Debt Management Office.	1 Year
Supranational bonds of less than one year duration (e.g. International Monetary Fund)	1 Year

Investment	Maximum Maturity
<p>Pooled investment vehicles that have been awarded an minimum AA credit rating by Fitch, a credit rating agency, such as money market funds (including the revised categories of Low Volatility Net Asset value and variable Net Asset Value funds) and low volatility bond funds.</p>	1 Year
<p>An institution 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.</p>	1 Year

Non-Specified Investments

Investment	Maximum Maturity
<p>Multilateral development bank bonds - 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. World Bank).</p> <p>The security of principal and interest on maturity is on a par with the Government and these bonds usually provide returns above equivalent gilt edged securities. The value of the bond may rise or fall and losses may accrue if the bond is sold prematurely.</p>	3 Years
<p>Gilt edged securities. These are Government bonds and provide the highest security of interest and principal. 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
<p>The Council's own bank if it fails to meet the basic credit criteria with balances being kept to a minimum.</p>	1 Day
<p>UK Banks which have significant Government holdings</p>	1 Year
<p>Any bank or building society which meets the minimum long term credit criteria detailed in Appendix 3, for deposits with a maturity of greater than one year (including forward deals in excess of 1 year from inception to repayment).</p>	3 Years
<p>The UK Government including Local Authorities and Debt Management Office.</p>	3 Years
<p>Any non-rated subsidiary of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to being guaranteed from the parent company and is included for clarity and transparency purposes.</p>	3 Years

Investment	Maximum Maturity
<p>Share capital or loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be 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 £51.9m as reported in the 2017/18 Statement of Accounts. It is not envisaged that this type of investment will be undertaken in the future.</p>	Unspecified
<p>Manchester Airport Group – This is in response to the restructuring of the airports existing debt and is included for clarity and transparency purposes only.</p>	Term of loans
<p>Church Commissioners Local Authorities Property Investment Fund - This fund is aimed solely for use by public sector organisations wishing to invest in the property market whilst at the same time generating a favourable rate of return.</p>	10 Years



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 they comply 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.

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 1 Year	F1 (Range F1+ , F2 A to D)	P1 (Range P1 to P3)	A1 (Range A-1 , to C)
Long Term	Ensures that an institution is able to meet its financial obligations greater than 1 Year	A- (Range AAA to D)	A3 (Range AAA to C)	A- (Range AAA to CC)

Investment Institution information.

Whilst the Council's list of Investment institutions is prepared primarily using credit rating information, full regard is also given to other available information on the credit quality of each institution in which it invests. The information below will continue to be considered when undertaking investments;

- Credit default swaps - CDS were first created in 1997 and are a financial instrument for swapping the risk of debt default. Essentially the owner of the debt 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.

No investment will be made with an institution if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

Investment Limits

In order to safeguard the Council's investments and in addition to the information shown at Appendix 3, 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 3 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 1981 to 2017. The Council can place investments up to a maximum period of 3 years and for this purpose will only use high rated institutions in order to ensure any potential risk in the form of defaults are kept to a minimum. Investments placed over 1 year but up to 3 years are placed with higher rated institutions in order to ensure that any potential risk of default as highlighted in the table below is kept to a minimum.

Long term rating	Average 1 yr default	Average 2 yr default	Average 3 yr default	Average 4 yr default	Average 5 yr default
AAA	0.04%	0.10%	0.18%	0.27%	0.36%
AA	0.02%	0.04%	0.10%	0.17%	0.24%
A	0.05%	0.15%	0.28%	0.42%	0.59%
BBB	0.16%	0.44%	0.77%	1.15%	1.55%
BB	0.71%	2.00%	3.47%	4.92%	6.22%
B	2.90%	7.00%	10.67%	13.74%	16.12%
C	18.74%	26.47%	31.60%	35.37%	38.17%

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 0.05% of the total investment (e.g. for a £1m investment the average loss would be £500). This is only an average as any specific institution loss is likely to be higher.

Liquidity – The current 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 & EXTERNAL DEBT POSITION AS AT 31.12.2018

	Principal £m	Average Rate %
DEBT		
Fixed rate:		
- PWLB	155.5	3.27
- Market	20.4	3.86
Sub-total	175.9	3.34
Variable rate:		
- PWLB	0.0	0.0
- Market	20.0	4.28
Sub-total	20.0	4.28
Total debt	195.9	3.43
INVESTMENTS		
- Fixed rate	(63.0)	0.95
- Variable rate	(18.7)	1.86
Total Investments	(81.7)	1.16
NET ACTUAL DEBT / (INVESTMENTS)	114.2	

SUMMARY MEDIUM FINANCIAL PLAN 2019/20-2021/22

	2019/20 £000	2020/21 £000	2021/22 £000
DEBT			
Loan Interest	4,961	4,692	4,692
MRP	2,454	5,206*	5,206
Premium	548	548	548
Other – Sale PFI interest etc.	817	238	238
Sub-total	8,307	10,778	10,778
INVESTMENTS			
Interest	(1,257)	(1,353)	(1,353)
MAG	(7,195)	(7,695)	(7,763)
Sub-total	(8,452)	(9,048)	(9,116)
TOTAL	353	1,636	1,569

The above table reflects the MTFP treasury management position and excludes associated debt costs from any additional borrowing undertaken to fund the Council's Asset Investment Strategy which will be self-financing.

*The increase in MRP reflects the completion of the 4 year realignment period whereby funds previously over provided are being placed into an Investment Fund.

NON-TREASURY ACTIVITIES

Details of the actual spend incurred on the Council's non-treasury activities undertaken as at 31st December 2018 are outlined below:

Description	Total £m	Purpose
General		
Manchester Airport Group	19.9	Regeneration – 2 Shareholder loans
Homestep	1.0	Regeneration – Capital loan monies advanced to assist first time buyers to acquire property within Trafford
Lancashire County Cricket Club	4.0	Loan advanced for Regeneration purposes
Town Centre	0.3	Regeneration – Capital loan monies advanced to assist businesses occupy empty high street units within Trafford.
Sub-total	25.2	
Asset Investment Property		
Sonova House - Warrington	12.1	
DSG - Preston	17.4	
The Grafton Centre - Altrincham	10.8	
Magistrates Courts - Sale	3.9	
Walthew House Lane - Wigan	13.7	
K Site Old Trafford		
- Equity contribution	7.0	
- Trafford / Bruntwood loan	7.0	
Sub-total	71.9	
TOTAL	169.0	

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TRAFFORD BOROUGH COUNCIL

Report to: Executive and Council
Date: 20 February 2019
Report for: Decision
Report of: The Executive Member for Finance and the Corporate Director of Finance and Systems

Report Title

FEES, CHARGES & ALLOWANCES 2019/20

Summary

This report summarises the salient features of the annual review and pricing of the Council's main fees and charges. The booklet that details individual fees and charges can be found on the Council's website in the area that supports the agenda.

The Fees and Charges booklet represents the main fees and charges to the public upon which the Executive's proposed budget for 2019/20 has been based. Fees and charges have been reviewed and amended as appropriate either by regulation or as aligned to the budget and service planning process. New charges for 2019/20 or revised wording to existing charges are highlighted in blue on the schedule and significant changes are referred to in paragraph 3.3 below.

In particular policy proposals reflected in this report:

- Garden Waste collection charges are to end in June 2019 following the expiry of current year's permits;
- Charges for Deferred Payment Agreements (DPA's) and Proposed Rates for Alternative Funding Arrangements - the Council propose to introduce interest charges as defined in Care and Support regulations. The Council also intends to charge for the legal costs associated with DPA's;
- A review of Car Parking charges;
- Animal Welfare – new fee structure to reflect the increased level of work that must be carried out to determine & enforce the new animal welfare licensing legislation;
- Pest Control – some of the charges have increased by more than 5% to better recover the costs of delivery;
- Planning – pre application advice - new fees have been introduced and two increased above 5% to better reflect the complexity of cases and full cost recovery;
- Registration of Births, Deaths and Marriages – a number of charges have been set for the next two years, (2019/20 and 2020/21), and therefore require specific approval. Also new charges for 'Outdoor' blessing type and 'Tailor-made' marriage ceremonies have been introduced in response to demand for

such services and to improve the service offered to the public;

- Registration of Births, Deaths and Marriages – the Priority Service for certificate application fee has been made Statutory by the General Register Office and is 233% higher than the previous Discretionary fee set by the Council;
- Registration of Births, Deaths and Marriages – fees and charges have been updated to include checking services for the European Passport Return Service and the new European Settlement Service pilot;
- Cemeteries & Crematorium services – new fees introduced to provide wider customer choice.

The fees and charges are inclusive of VAT, where indicated, and delegated authority to Corporate Directors and the Corporate Director of Finance and Systems, is sought to amend the level of the relevant fee or charge as appropriate if there are changes to the rate of VAT during 2019/20, which is the Council's traditional practice.

As in previous years, the majority of fees and charges have been coded as to the extent of discretion the Council has to establish the fee or charge, and then the level of discretion to determine the level of fee or charge.

Recommendation(s)

That the Executive:

1. Recommends to Council that it approves the following;

- The Fees and Charges for 2019/20 and those relating to Registration of Births, Death & Marriages also shown for 2020/21, as set out in the booklet available on the Council's web site;
- That approval is delegated jointly to each Corporate Director with the Corporate Director of Finance and Systems to amend fees and charges during 2019/20 in the event of any change in the rate of VAT, as appropriate;
- That approval be delegated jointly to each Corporate Director with the Corporate Director of Finance and Systems to amend fees and charges during 2019/20 under delegated powers where the economics of the charge levels have changed (e.g. costs have risen unexpectedly), or for commercial reasons.

Contact person for access to background papers and further information:

Name: Councillor Michael Cordingley, Executive Member for Finance
Nikki Bishop, Corporate Director of Finance and Systems
Extension: 4884

Background Papers: None

Implications:

Relationship to Policy Framework/Corporate Priorities	Value for Money. The proposed draft budget for 2019/20 supports all key priorities and policies.
Financial	The report sets out the proposed Fees and Charges for 2019/20 and those relating to Registration of Births, Death & Marriages also shown for 2020/21.
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. Where appropriate and necessary some of the fees and charges have been the subject of consultation.
Equality/Diversity Implications	The Council has complied with the requirements of its Public Sector Equality Duty. Where appropriate and necessary some of the fees and charges have been the subject of consultation.
Sustainability Implications	None arising out of this report.
Resource Implications e.g. Staffing / ICT / Assets	Human Resources – statutory processes have been complied with during the course of these budget proposals in respect of staffing implications where they apply.
Risk Management Implications	The risks associated with the budget proposal have been considered.
Health and Wellbeing Implications	The Council has complied with the requirements of its Public Sector Equality Duty.
Health and Safety Implications	The health and safety implications of the budget proposals have been considered.

Other Options

All options at an individual fee or charge basis would have been considered, where appropriate, during the budget process.

Consultation

Where appropriate and necessary some of the fees and charges have been the subject of consultation.

Reasons for Recommendation

To fulfill the obligations outlined in the Council Constitution for the budget process.

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



INTRODUCTION

- 1.1 The detailed fees and charges booklet is available on the Council's web site alongside other agenda items. It represents a schedule of the main fees and charges which the Executive is proposing to charge for services in 2019/20 and included in the revenue budget proposals for 2019/20 to be presented to Council on 20 February 2019.
- 1.2 It should be noted that the booklet relates to fees and charges levied on the general public, businesses or service users. Trading income, such as that with Schools, is not covered within the fees and charges booklet as it is subject to individual contracts and negotiations. The Council also charges for certain services on a commercial basis, in competition with other providers, and these are excluded from the booklet for this reason (e.g. trade waste).

2. COUNCIL DISCRETION IN SETTING FEES & CHARGES

- 2.1 All fees and charges are subject to relevant legal constraints. Some fees and charges are required by law to be established and administered by the Council, others can be established at the Council's discretion. Once established, regulations then influence the extent or level of the fee or charge. Some fee or charge levels are set by regulation, others are limited by regulation, and some can be determined freely by the Council, though subject to other influencing factors such as competition.
- 2.2 The schedule of fees and charges indicates which fees are Mandatory (M) and which are Discretionary (D) for both the establishment of the charge (the first indicator) and then setting the level of the charge (the second indicator). For example, a fee that must be established and administered by the Council, but the level of fee or charge can be freely determined by the Council would be marked 'M / D'.

How is it determined that a fee or charge can be levied?	Who or how is the rate of the fee or charge determined?	Example of Fee or Charge	KEY
Regulation	Regulation – the rate of charge is fixed by regulation.	Registrar Certificates Gaming Permits	M / M
Regulation	Regulation –the Council can choose between lower and/or upper limits.	Casino applications Entertainment Licences	M / D*
The Council	Regulation – the Council can only recover costs & reasonable overheads and/or between upper and lower limits or other limit.	Fixed Penalty Notices	D / D*
Regulation	The Council	Environmental searches Marriage & Civil Partnerships	M / D
The Council	The Council	Library charges Land charges & search fees	D / D

2.3 The above table has been RAG shaded in terms of extent of Council discretion from red (top 1) where fees and charges are mostly determined by regulation, to green (bottom 2) where the Council has greater control on establishing and setting fee or charge levels. In the middle, or amber zone, Council's discretion is limited by regulatory rules, and for the fees or charges that are subject to such rules a code of 'D*' is used in the booklet, usually with a statement that describes the relevant rule at the bottom of the page or table.

3. Summary of Fees and Charges movements

3.1 The booklet states the percentage increase for each fee or charge. The following table provides key statistics by the type of charge using the coding system outlined in section 2. It should be noted that an increase in the level of fee or charge may not generate the same increase in actual revenue as purchases or uses of the service may vary. Further, any average increase does not suggest the increase in total revenue as some charges may increase substantially in percentage terms but not in monetary, and that some charges are levied more often than others.

Discretion Code	No. of Charges (No.)	As a % of the Total (%)	Charges yet TBA (No.)	% of Charges that have changed (%)	Average increase # (%)
M / M	65	8%	0	22%	20%
M / D*	80	9%	0	0%	0%
D / D*	11	1%	0	0%	0%
M / D	141	17%	0	33%	5%
D / D	551	65%	0	52%	7%
Total	848	100%	0	41%	7%

Note : This does not represent a 7% increase in income as the averages are calculated as a simple average increase on the unit charges and are not weighted by the level of income generated by each charge.

3.2 Approximately 22% of mandatory fees have changed by an average of 20%. (This increase is skewed by one charge referred to below which has increased by 233% - see Para 3.3). Where the Council has discretion to increase the charge level, all such charges have been reviewed as part of the budget process and consequentially there is much greater movement in those fees and charges. Where the Council has discretion to charge up to a maximum amount set by legislation, many of the current fees are already close to the statutory limit.

3.3 The key highlights with regard to specific charges are:

Children, Families & Wellbeing

- Charges for Deferred Payment Agreements (DPA's) and Proposed Rates for Alternative Funding Arrangements - the Council propose to introduce interest charges as defined in Care and Support regulations. The Council also intends to charge for the legal costs associated with DPA's;

Place: has the majority of the Council's fees and charges. The main changes within this service are:

- Garden Waste collection charges are to end in June 2019 following the expiry of current year's permits;
- Parking fees and tariff bands have been revised with reductions in fees for the longer stay periods to encourage economic growth, e.g. use of town centres;
- Animal Welfare – a new fee structure has been introduced to reflect the increased level of work that must be carried out to determine & enforce the new animal welfare licensing legislation which came into force in October 2018. These fees have been benchmarked against other Greater Manchester Authorities and were approved by Licensing Public Protection Sub-Committee on 25 October 2018;
- Pest Control - charges have been reviewed to better reflect how the service is delivered and better recover actual costs of delivery. As a result a number have increased by more than 5%. The most widely used fees (i.e. for bees and wasps) have been frozen at current prices to maintain the customer base against competition from the private sector;
- Planning – pre application advice - new fees have been introduced and two increased above 5% to better reflect the complexity of cases and full cost of recovery;
- Registration of Births, Deaths and Marriages – a number of charges have been set for the next two years, (2019/20 and 2020/21). Also new charges for 'Outdoor' blessing type and 'Tailor-made' marriage ceremonies have been introduced in response to demand for such services;
- Registration of Births, Deaths and Marriages – the 'Priority Service for certificate application' fee has been made statutory by the General Register Office with effect from 16 February 2019 and is 233% higher than the previous Discretionary fee set by the Council. The Council has no control over this charge;
- Registration of Births, Deaths and Marriages – fees and charges have been updated to include checking services for the European Passport Return Service and the new European Settlement Service pilot;
- Cemeteries & Crematorium services – new fees have been introduced to provide wider customer choice. This includes earlier and/or shorter time slots at lower cost, and for a direct cremation service.

3.4 The schedule of fees and charges has been reviewed by management, and amendments made to include those fees and charges which should be brought to the attention of Council at the time of setting the budget, or exclude those that are superfluous or negotiated on a commercial basis.

4. Recommendations

- 4.1 That the Executive recommends to Council that it approves the following;
- The Fees and Charges for 2019/20 and those relating to Registration of Births, Death & Marriages also shown for 2020/21, as set out in the booklet available on the Council's web site, be approved;
 - That approval is delegated jointly to each Corporate Director with the Corporate Director of Finance and Systems to amend fees and charges during 2019/20 in the event of any change in the rate of VAT, as appropriate;
 - That approval be delegated jointly to each Corporate Director with the Corporate Director of Finance and Systems to amend fees and charges during 2019/20 under delegated powers where the economics of the charge levels have changed (e.g. costs have risen unexpectedly), or for commercial reasons.

TRAFFORD BOROUGH COUNCIL

Report to: Executive
Date: 20 February 2019
Report for: Decision
Report of: Executive Member for Finance and the Corporate Director of Finance and Systems

Report Title

Executive’s Response to Scrutiny Committee’s Recommendations to the Budget Proposals for 2019/20

Summary

At the Executive meeting on the 28 January 2019 a report was presented by the Scrutiny Committee chair, setting out their comments and findings from the review of the Executive’s draft budget proposals for 2019/20.

The Executive values the contribution that the Scrutiny Committee makes to the budget process and is committed to working with Scrutiny Committee during the forthcoming year as part of their planned work programme.

This report contains a detailed response to each of the points raised by the Scrutiny Committee in their report.

Recommendation(s)

That the Executive’s response to Scrutiny be approved.

Contact person for access to background papers and further information:

Name: Nikki Bishop
 Extension: 4884

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	The Scrutiny review of the budget is a requirement of the budget policy framework. It is relevant to all corporate priorities.
Financial	All financial implications are contained in the body of the report.
Legal Implications:	The Scrutiny review of the budget is a requirement of the Council’s constitution.
Equality/Diversity Implications	There are none arising from this report.
Sustainability Implications	There are none arising from this report.
Resource Implications e.g. Staffing	There are none arising from this report.

/ ICT / Assets	
Risk Management Implications	There are none arising from this report.
Health and Wellbeing Implications	There are none arising from this report.
Health and Safety Implications	There are none arising from this report.

Other Options

Not Applicable

Consultation

The report is in response to the consultation carried out by the Scrutiny Committee.

Reasons for Recommendation

The report is in response to the consultation carried out by the Scrutiny Committee.

Key Decision

This is a key decision currently on the Forward Plan: No

Finance Officer ClearanceGB

Legal Officer ClearanceJL.

CORPORATE DIRECTOR'S SIGNATURE



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

BUDGET SCRUTINY ACTION PLAN

Issue	Scrutiny Recommendation	Executive Response
Delayed Transfers of Care – Members still feel that this is an area of concern and has a significant effect on the budget.	Health Scrutiny will be closely monitoring Delayed Transfers of Care as part of its 2019/20 work programme.	The Executive note this position.
Demand led services – As has been the case in previous years with demand led services, any increase in the projected demand could cause a significant budget shortfall.	Scrutiny will continue to monitor the Adults and Social Care services and their budgets via the Health Scrutiny and Children and Young People's Scrutiny Committee work programmes in 2019/20, and ask that they be kept informed of any expected demand increases as they become apparent.	The Executive note this position and confirm that regular updates will be made available.
Adults and Children's	The Health Scrutiny and	The Executive note this

<p>Social Care Budget Saving Proposals – Scrutiny has some concerns around the savings proposals associated with the Adults and Children’s Social Care budgets, as most of the proposals are considered to be ‘cost avoidance measures’ (as opposed to actualised savings), which are difficult to forecast accurately.</p>	<p>Children and Young People’s Scrutiny Committees will be monitoring the Let’s Talk, Reassessments, and Right Care For You, savings targets as part of their 2019/20 work programmes.</p>	<p>position.</p>
<p>Budget reserves and provisions – Scrutiny note the general downward trend for budget reserves and provisions over recent years, as well as the projected decrease in upcoming years.</p>	<p>Scrutiny asks that assurances be provided to ensure that this downward trend is appropriate, and that that future issues are identified and reported to Scrutiny at an early stage.</p>	<p>The Executive note this position and will provide Scrutiny with updates during the year.</p> <p>The financial strategy includes a priority to bolster reserves when possible. This was the in the period 8 budget monitor when £4.5m, additional income from the MAG dividend and a one-off business rate reallocation from the GM Combined Authority, was transferred to earmarked reserves.</p>
<p>Budget Monitoring – Some Scrutiny Members feel that the information being presented and scrutinised at meetings of the Executive is at times out of date, and that the budget needs monitoring more closely in these times of economic uncertainty and funding reductions.</p>	<p>Scrutiny asks that the Executive provides more information on why the budget monitor changed from being produced monthly to bi-monthly to help them understand the reasons behind the change.</p> <p>Scrutiny asks that the Executive give consideration to producing budget monitors monthly again. However, Scrutiny would not want this to be implemented if it was to have significant staffing capacity and / or financial implications.</p>	<p>Executive see the budget monitoring process as highly important.</p> <p>It does require a lot of input from the Financial Management Service and strongly supported by all budget holders, service and corporate leadership teams.</p> <p>Whilst formal budget monitoring reports are presented to the Executive every two months, all high risk budget areas are monitored on a monthly basis. This includes all adults and children’s client budget areas with the results presented to CLT.</p>

		Therefore, at this stage, it is not recommended to revert back to formal monthly budget monitoring reports through the formal Executive.
<p>Scrutiny Budget to Seek Expert Advice – A motion was agreed at the full Council meeting on 28 November 2018, which committed the Council to declare a Climate Emergency. The motion also called for the establishment of a new Task and Finish which should seek advice from experts to develop a carbon budget and set a challenging target date for carbon neutrality in Trafford. The hiring of these experts would generate a cost.</p>	Scrutiny asks that a budget be made available to seek the relevant advice to inform the Task & Finish Group's work.	A budget will be identified within the Place Directorate in due course and when costings are known.
<p>Future Budget Shortfall – Scrutiny welcomes the balanced budget proposals for 2019/20 but notes that a potential future shortfall of circa £25m by the end of the 2021/22 financial year remains.</p>	Scrutiny would like assurances that proposals are already being discussed on how the potential shortfall will be addressed.	<p>The Executive are fully aware of the challenges ahead in balancing the future year's budget where the gap stands at nearly £29m.</p> <p>The hard reset of the business rate baselines, promised by MHCLG, in 2020/21 will mean that funding streams the Council has become reliant on could be lost and this is the major reason the funding gap in later years. It is unlikely that any indicative funding figures will be made available by Government until late summer or early autumn 2019, a concern that the Local Government Association has taken up directly with MHCLG, which will make financial planning difficult for 2020/21. In any event a number of potential</p>

mitigants exist:-

- Government are currently consulting on transitional arrangements which, whilst these will unwind over a period of time, could protect the Council from a sudden and significant fall in resources.
- The Council's current budget contains a modest level of discretionary services which will be reviewed during 2019 as well as fees and charges
- Comprehensive Spending Review and the social care green paper could both signal the trajectory of funding in future years and specifically funding for social care.
- Population growth in Trafford is projected to rise faster than the national average which whilst meaning the pressure on Council services could increase is likely to mean improved levels of Government funding through the new formula which has its basis in population numbers.

The Asset Investment Strategy is realising both regeneration benefits and vital new income streams and proposal in this budget report to increase the size of the Investment Fund will provide greater scope to achieve further new income streams in 2019/20.

		<p>With a budget gap for the following two years of £28.87m, the size of the challenge remains significant. For that reason the Council's Executive and Leadership Team will continue to work on developing further budget proposals during 2019/20 to meet this future financial challenge.</p>
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TRAFFORD COUNCIL

Report to: Executive
Date: 20th February 2019
Report for: Decision
Report of: Executive Member for Adult Social Care

Report Title

Fair Price for Care for Older Peoples' Residential and Nursing Homes 2019-2020

Summary

Every year the Council sets a Fair Price for Care which determines the bed rate for the following financial year based upon an inflationary uplift to the current bed price. Consultation with the sector to set a bed rate traditionally produces a low response.

Based on engagement with the sector during the current financial year to understand the real costs of care the report makes recommendations regarding:

1. An annual inflationary uplift for current placements; and
2. Further work on understanding the variability in bed price across Trafford

The report provides details around the complexity of the business model underpinning the current care market in Trafford and necessary work to be undertaken.

Recommendation(s)

That the Executive approves an inflationary uplift for Residential and Nursing Home beds of 3.96% for 2019/20.

Contact person for access to background papers and further information:

Name: Karen Ahmed
Extension: 1890
Background Papers: None

Relationship to Policy Framework/Corporate Priorities	<p>Low Council Tax and Value for Money</p> <p>Economic Growth and Development: The residential and nursing residential and nursing care home uplift will contribute to improved workforce pay, conditions and retention, to stabilise the market, supporting growth for local providers and improved skills for local people</p> <p>Services focused on the most vulnerable people: This is a targeted service provided to the most vulnerable people, following a social care assessment.</p> <p>Trafford Plan to 2020 Integrating health and social care: We are working towards an integrated plan to align budgets for residential and nursing care to stabilise costs</p>
Relationship to GM Policy or Strategy Framework	The GM Residential and Nursing Home Delivery Group is a joint programme which brings together a number of social

	<p>care and health led work streams related to activities around residential and nursing care homes into one coherent and co-ordinated programme.</p> <p>Across GM, there are over 560 residential and nursing homes with over 19,000 beds. These homes make a significant contribution to the functioning of the health and care economy but there is significant variation in the level of quality, responsiveness, and adaptability.</p> <p>GM commissioners are working with providers to improve the quality of services by creating a clear rapid quality improvement model and by investing in the implementation of that.</p> <p>GM commissioners will also look to improve access to health care in homes building on good practice in several localities, this will include nursing provision. Collectively GM will work to address some of the challenges that the sector faces by tackling the core issues head on. In addition, to support cohesion in activity and a clear approach for care home providers and the market, we will bring together a number of additional work streams progressing and delivered through various teams of the GMHSCP but whose main target for work is care homes, into one co-ordinated and coherent programme.</p> <p>Housing Strategy: We are working very closely with our colleagues in housing strategy to look at develop other models and look at a number of different options to support people living in the community with a wide range of needs and this will underpin the residential and nursing offer. This will be articulated in the new Older Peoples Strategy.</p>
Financial	<p>The proposed uplift of 3.96% on the current four rates is inclusive of the RPI of 3.3%, and is based on the assumed amounts of staff/running costs. It is recognised that an inflationary uplift of this level will support providers to meet the requirements of the National Minimum Wage and the National Living Wage and the additional pressures of inflation. This will result in an additional budgeted investment into the Residential & Nursing market of £0.970m. This would be met from within the overall allocation for inflation in the Medium Term Financial Plan (MTFP) that has been allocated to the Adult Social Care budget for 2019/20. This option is recommended for existing placements. The Council proposes to apply the inflationary uplift for 2019/20 to all current in borough Trafford funded individuals. The Council proposes to apply the host local authority uplift for out of borough placements.</p>
Legal Implications:	<p>The legislative requirements are detailed in the report.</p>
Equality/Diversity Implications	<p>The equality and diversity implications been taken into account.</p>
Sustainability Implications	<p>Not applicable.</p>
Resource Implications e.g. Staffing / ICT / Assets	<p>Not applicable.</p>
Risk Management Implications	<p>The key risks for Trafford are around maintaining a sustainable care market within a nationally very fragile social care market. In order to do this we must set an appropriate inflationary uplift which enables providers to meet costs associated with the National Living Wage and inflation.</p> <p>The recommendation in inflationary uplift for residential and nursing care homes represents a holding position whilst a different model is developed with providers that focuses on</p>

	delivering more positive outcomes for Trafford residents and stabilising the market.
Health & Wellbeing Implications	Our residents are assessed as requiring residential or nursing care home provision when they are no longer able to live safely at home. It is essential to have a sufficient supply of residential and nursing care homes to meet our resident's health and well-being needs.
Health and Safety Implications	Not applicable

1.0 Background

- 1.1 Trafford has a vibrant social care market and the Council works with numerous different residential and nursing care homes in the borough. However, Trafford's social care market is not only experiencing the same challenges as the rest of the country, but also some challenges which are particular to Trafford. National challenges include the difficulty in recruiting and retaining nurses for nursing homes, resulting in homes exiting the market because of the financial implications of agency rates.
- 1.2 The challenges in the residential and nursing market in terms of staffing are related to both qualified and unqualified staff, and providers struggle to retain a high calibre workforce, particularly at a managerial level. This has led to poor Care Quality Commissioning (CQC) ratings in the domain of well-led and effective services for some providers.
- 1.3 The Council continues to support the residential and nursing home sector to provide a high quality of care, working closely with Trafford Clinical Commissioning Group (CCG) to ensure that the right blend of social care and health expertise is provided to organisations in a timely manner to support them to improve or maintain a good quality service. The work of the team has been recognised by Care Quality Commissioning (CQC).
- 1.4 Despite the problems that the social care market is experiencing, the residential and nursing care is expanding in Trafford. Many of these new services are aimed at attracting self-funders from across Greater Manchester and Cheshire who are willing to pay a higher fee. The key issue is the affordability of beds as the new provision is priced at a cost substantially more than Trafford bed rates. The risk to the Council is that when self-funders are no longer able to afford their placement, even where they were not previously Trafford residents, it is the Council that has to take over funding responsibility. This is also the case when Trafford residents choose a more expensive placement as a lifestyle choice, agree to pay the difference and then are no longer able to pay for the difference in cost.
- 1.5 The Council has engaged annually with the market to agree a "Fair Price for Care". The previous approach relied heavily on providers disclosing their make-up of their budgets in order to ascertain the costs pressures that the market was experiencing. However, year on year the number of respondents dropped considerably, rendering this approach unhelpful.
- 1.6 For last year 2018/2019, a different methodology was used to engage with providers. Based on previous years' submissions and CIPFA guidance, it was possible to estimate the impact of the National Living Wage on the staffing element of the budget, and the impact of the Retail Price Index on the remainder of the budget. This calculation informed the proposed inflationary uplift which was then consulted on with residential and nursing care home providers.
- 1.7 Providers have requested that we engage in a more detailed methodology in the future as we look at how we remodel the market and stabilise the costs and quality within the residential and nursing home provision. However, due to the complexities of understanding all elements to establish a Fair Price for Care, it is necessary to give consideration to national factors that will be impacting on the current market, in particular the increase of the national living wage and the impact of the retail price index.
- 1.8 For the purpose of this report it is essential that we draw a line under previous methodologies and attempt to engage with the sector in a more inclusive way and consider national factors impacting on the current market as well as the additional elements that make up the cost of care. As such the offer for 2019/2020 is a holding position whilst a wider piece of work is undertaken with Providers to further understand the impact and make the process more meaningful.

2.0 Legal Context

2.1 The Care Act 2014, from 1st April 2015, replaced the piecemeal legislation across the previous sixty years. The Care Act 2014 gives effect to, amongst other things, the following provisions:

- Requiring the Council to promote individual wellbeing and apply the wellbeing principle in all cases where a local authority is carrying out a care and support function, or making a decision, in relation to a person.
- Requires the Council to ensure the provision or arrangement of services, facilities or resources to help prevent, delay or reduce the development of needs for care and support.
- Requires that the Council must promote the efficient and effective operation of a market of services for meeting care and support needs. The Act places new duties on local authorities to facilitate and shape their market for adult care and support as a whole, so that it meets the needs of all people in their area who need care and support, whether arranged or funded by the state, by the individual themselves, or in other ways.
- Specifies the requirements of a personal budget prepared for each adult needing care or support itemising the cost of meeting assessed need and individual financial assessment in terms of actual payment.
- Entitles an adult to express a preference for particular accommodation.

2.2 In addition to these provisions, the Council has a responsibility for market shaping as prescribed by the Act. Supplementing the Care Act 2014, there is further legislative provision and statutory guidance which has been issued by the Department of Health. The effect of the Act, regulations and guidance, is to require the Council to facilitate and shape their market for adult care and support as a whole.

2.3 The statutory guidance issued under the Care Act 2014 states that local authorities must focus on outcomes when pursuing market shaping and commissioning. This is set out in the guidance. These include:

- Councils should have regard to guidance on minimum fee levels.
- Councils must not undertake any actions which may threaten the sustainability of the market as a whole.
- Council should assure themselves and have evidence providers deliver services through staff remuneration so as to retain an effective workforce.

2.4 The above replaces the previous legal framework under the National Assistance Act 1948. Whilst under the National Assistance Act 1948 the Council was under a requirement to settle the usual cost with care providers, the Care Act 2014 and guidance does not require this. However, the Council is under very similar obligations under the Care Act to the National Assistance Act 1948 as it is required to consider the cost of care and engage with the providers. Thus it remains lawful and is a useful tool in market shaping and complying with choice regulations.

3.0 Our Approach/Methodology

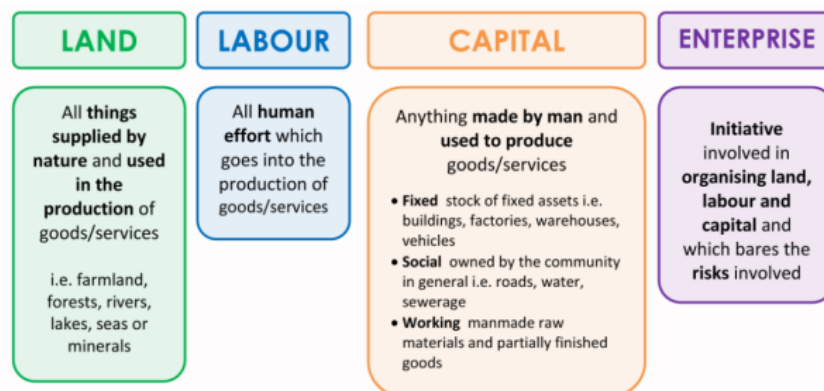
3.1 Based on the low returns of previous years, the Council developed a transparent proposal for determining the inflationary uplift for 2019/20. This was based upon an analysis of the impact of the National Living Wage and the Retail Price Index (RPI) as at October 2018. The calculation will be shared by letter with providers and explained verbally through our regular Service Improvement Partnership meetings. Providers will be given an opportunity to respond.

3.2 Alongside this, UNISON, the leading trade union for care workers in the UK, is campaigning for higher standards of care across all residential settings. As a result, UNISON's Residential Care Charter (URCC) is a set of principles for improving workforce pay and conditions for the homecare sector and improving the quality of care at home. The URCC sets out the minimum standards and employment conditions required to deliver decent care. Employment levels, pay, conditions and training directly impact the quality of care. A more stable, well-equipped workforce is essential to deliver high quality, consistent care. The URCC sets out solutions to raise the standard of care. (*Unison's Residential Care Charter - Appendix 1*).

The Council has consulted with providers regarding the impact of adopting the URCC and Providers have confirmed that they are already implementing much of the URCC. The Council has also completed an impact paper which outlines how Trafford Council could implement the URCC, including the risks, benefits and the cost implications. The executive member for adult social care, Councillor Harding, will be presenting a motion to Council in March 2019, which seeks commitment to

implementing URCC principles. If a commitment to the adoption of URCC principles is secured, this report sets proposals of how the URCC principles could be implemented and, subject to the Council's decision regarding the adoption of the URCC, a phased introduction of URCC as detailed in the report is proposed.

- 3.3 In addition to the engagement the Residential and Nursing contract will be reopened for comment. This will give the Council an opportunity to include contract variations and align to the URCC and the NHS contract.
- 3.4 The Council will continue to work closely with existing providers to redesign the current model and take a more sophisticated approach to costing for 2020/21. Providers recognise the financial circumstances within which the council operate and are keen to move towards a model which is affordable, sustainable and delivers good quality care.
- 3.5 Over the years, our Fair Price for Care process and our bed rates have inflated the hotel and workforce costs annually and yet there can be a discrepancy between the provider price and our bed rates. This is because we have not taken into account other elements detailed in the table at 3.5 below. We have done some work with providers and the true cost of care is not entirely reflected in a consideration of only hotel and staff costs. It does not take into account the cost of land and commercial models. Land and commercial costs are investment opportunities for providers, and the Council cannot be expected to bear the full costs of those investments. A new process for agreeing a costing model is required which takes into account those variables, and based on commercial acumen and local knowledge, reaches a reasonable compromise with providers where costs are apportioned appropriately, the market is sustained and the Council is not subsidising the growth of care companies. Because of these variables in the model, it requires further exploratory work is required and means that it is impossible to reflect a true cost.
- 3.6 As part of the redesign, the Council will need to consider the following four elements used in basic economics to show the costs of any product. Residential care costs are no different and should be understood in this way. This will be explored and considered in the preparation work for the 2020/2021 offer.



*IPC Diving Improvement and Innovation in Care

For residential care these four elements contribute to the costs of a care home. These all need consideration when understanding the price of care:

- Land: the land on which a home is built, whether owned by the operator or a third party.
- Labour: the carers, kitchen staff, cleaners, maintenance, managers and head office staff (where relevant).
- Capital: anything fixed that is needed to provide the service, such as vehicle costs, uniforms, food and buildings (see full list below). This either needs to be bought and paid for by the operator or leased from the owner. Either way, there is an annual cost. If the operator owns it, it will be the annual cost of depreciation to replace this fixed item at the end of its useful life (e.g. staff uniforms 1-3 years, the building 20-30 years). If the operator rents it, then there will be the cost of annual renting it (rent to the landlord).
- Enterprise: the operators return for organising the above three. It is worth noting that even the not for profit organisations are seeking to generate a 'surplus'.

Consideration was given to national factors that will be impacting on the current market, in particular the increase of the national living wage and the impact of the retail price index.

- 3.7 The need to deliver best value is a legal requirement for all local authorities. We need to deliver value for money across services and to 'make arrangements to secure continuous improvement in the way in which we exercise our functions, having regard to a combination of economy, efficiency and effectiveness'. One method of which is currently being used is block contract purchasing. Block contracts guarantees a given volume of business to a service provider, usually over a set period of time, and in advance of the service being delivered. Block contracts are usually larger, and therefore allow us obtain a cheaper price and the provider a guaranteed occupancy level or payment.
- 3.8 The local residential and nursing providers previously commented at the Service Improvement Partnership that the methodology used to calculate the inflationary uplift did not reflect the current challenges of the sector. Following this discussion, the Council set up a task and finish group to work with providers to look at how we can address the issues of quality, market sustainability and affordability through utilising mechanisms such as managing back office costs and common expenses such as agency costs, block purchasing, supporting the development of a Registered Manager's network and so on. Some of these areas are also being explored at a GM level, and some barriers have been identified to the position of the Council in supporting providers to manage costs as it is seen as "state aid". There will be opportunities for further exploration of these issues through a reframed task and finish group which considers the four elements described where we can consider the issues such as the uniqueness of Trafford and the consequent impact on price.

4.0 Market Factors

- 4.1 The residential and nursing care home market in Trafford has been awarded a cumulative uplift of 12.38% over the previous five years (1.5% in 2014/15, 0% in 2015/16, 3.8% in 2016/7, 3.2% in 2017/18 and 3.88% in 2018/19).
- 4.2 Discussions have taken place across Greater Manchester to determine the likely inflationary uplift to be offered to providers. Unfortunately, other authorities are still in the process of beginning those discussions and were unable to share details.

5.0 Recommendations and Rationale

- 5.1 The residential and nursing providers will be offered 3.96% based on accommodating pressure due to the National living Wage uplift and the Retail Price Index (RPI) as at October 2018 of 3.3%.
- 5.2 This is based on the assumed amounts of staff/running costs. The National Living Wage uplift is applied to running costs, estimating staffing costs to be 60% of the total cost, and 70% of staff being paid at the National living Wage rate.
- 5.3 This calculation utilises information from providers on spend from previous years – this provided some clarity on the average breakdown of spend across the market, which was not dissimilar to that identified by CIPFA.
- 5.4 Calculations were made based upon the impact of the new National Living Wage and the average predicted rate of inflation for 2019-20
- 5.5 The revised rates have been calculated on the same formula as described above, and are as follows:

Category	2018/2019 £	Increase (3.96%)	2019/2020 £
Residential	£448.13	£17.75	£465.88
Residential EMI	£483.23	£19.14	£502.37
Nursing	£496.20	£19.65	£515.85
Nursing EMI	£557.79	£22.09	£579.88

- 5.6 The estimated impact on the budget of the revised rates is £0.97m. This would be met from within the overall allocation for inflation in the Medium Term Financial Plan (MTFP) that has been allocated to the Adult Social Care budget for 2019/20.
- 5.7 Based on these estimates and given the issues listed below, a recommendation is made by officers of an increase in payment to:

- The residential and nursing care market of 3.96% for 2019-20

Issues taken into consideration include:

- Recruitment: For a sector with high turnover and loss of staff, this is always a significant cost, however this will increase in order to recruit and grow the workforce to meet increasing demand.
- The impact of the National Living Wage.
- Proportion of running costs spent on staffing.
- Inflation using the Retail Price Index as at October 2018.
- Affordability: The impact of increased budget pressures for the Council in the context of a budget gap of is a major factor to balance against any increase in rates.

6.0 Options

- 6.1 **Option 1** The Council and the Clinical Commissioning Group do nothing. This is not the recommended option. The social care market has been recognised nationally as being extremely fragile and the Council has a statutory duty to maintain market stability and sufficiency under the Care Act 2014. Not providing an inflationary uplift at a time when providers must pay the National Living Wage (£8.21 per hour, from 1st April 2019, for workers aged 25+) would only destabilise the market further. In addition, people are living longer with very complex health care needs and Trafford requires a robust and skilled workforce to continue to provide high quality care to some of the most vulnerable people in our community.
- 6.2 **Option 2** The Council apply a 3.96% uplift on the current four rates which is inclusive of the Retail Price Index (RPI) of 3.3%, based on the assumed amounts of staff/running costs. It is recognised that an inflationary uplift of this level will support providers to meet the requirements of the National Living Wage and the additional pressures of inflation. This will result in an additional budgeted investment into the Residential & Nursing market of £0.970m. In conjunction with the uplift offer, and subject to the Council's decision in relation to the adoption of the URCC, it is proposed that a phased approach to principles of the URCC is implemented. This would be met from within the overall allocation for inflation in the Medium Term Financial Plan (MTFP) that has been allocated to the Adult Social Care budget for 2019/20. This option is recommended for existing placements. The Council will apply the inflationary uplift for 2019/20 to all current in borough Trafford funded individuals. The Council will apply the host local authority uplift for out of borough placements.

We therefore are proposing that for 2019/2020, we continue to source new placements for Trafford residents based upon individual need which are costed at best value. To do this we will seek to enter into mini block arrangements which reduce cost, guarantee an income to the provider and stabilise the market. In addition, where it makes sense and fits with family and individual choice, we will seek to procure and negotiate the best price for beds but which can fully meet the individual's needs whilst minimising travel time and ease of access for family and friends – at times we recognise that these may not always be in Trafford.

7. Reasons for the Recommendation

- 7.1 Approval of Option 2 will enable providers to meet the requirements of the National Living Wage and additional inflationary pressures whilst still remaining within the approved budget. It will also allow the Council time to undertake further work to further understand all elements and variables necessary to work towards a real cost of care price and the Greater Manchester Living wage.

Key Decision (as defined in the Constitution): **yes**

If Key Decision, has 28-day notice been given? **Yes**

Finance Officer Clearance PD.....

Legal Officer Clearance DS.....

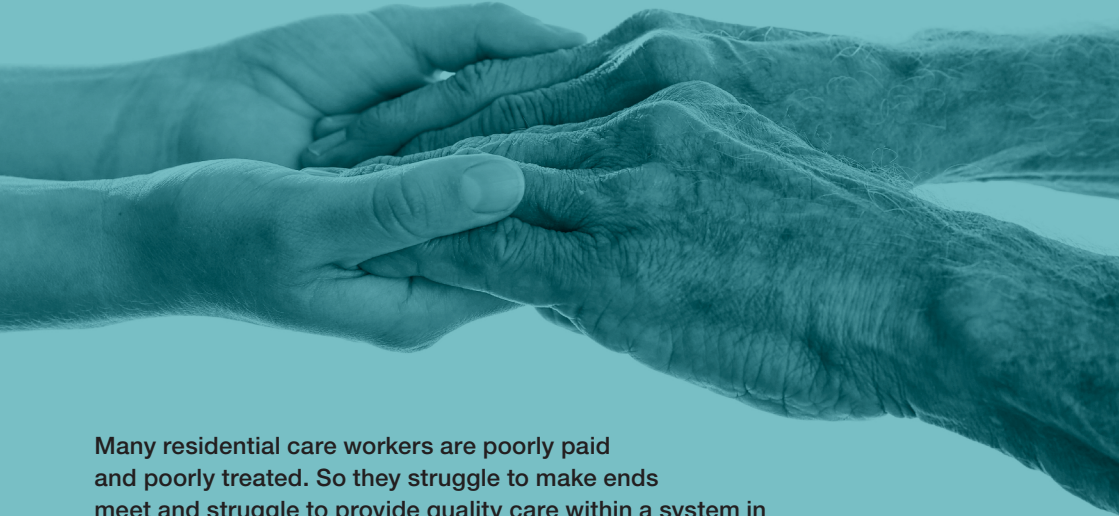
CORPORATE DIRECTOR'S SIGNATURE (electronic)



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

Appendix 1: Unison Residential Care Charter

UNISON'S Residential Care Charter



Many residential care workers are poorly paid and poorly treated. So they struggle to make ends meet and struggle to provide quality care within a system in crisis. Yet their role is crucial for a civilised society to function.

UNISON, the leading representative for care workers in the UK, is campaigning for higher standards of care across all residential settings. Dignity and justice must be at the heart of a care system. Everyone in residential care deserves to be supported and properly looked after – irrespective of their wealth, age or disability. For this to happen, care workers must be valued.

Residential care workers across the UK came together to discuss the barriers that plague their sector and solutions that would enable them to provide dignified care.

UNISON'S Residential Care Charter is the outcome of this discussion. It sets out the minimum standards and employment conditions required to deliver decent care. Employment levels, pay, conditions and training directly impact the quality of care. A more stable, well-equipped workforce is essential to deliver high quality, consistent care.

Care workers urge councils, commissioners and providers in the voluntary and private sector to adopt the Residential Care Charter, which sets out solutions to raise the standard of care.

UNISON will campaign for decision makers to adopt the Charter and continue to call for adequate funding for social care.

UNISON'S Residential Care Charter

Protecting and supporting residents

- Employers will maintain adequate staff ratios, that enable quality care to be delivered. This must be care that extends beyond basic tasks and includes a social dimension.
- Care workers, residents and families must be given information about how to raise concerns and protection if they decide it is necessary.
- Employers will have clear and accountable procedures to follow up any concerns raised.
- Care home providers will ensure all residents have ready access to any NHS services required.
- Providers will carry out thorough risk assessments to ensure the safety of residents and care workers.
- Employers will provide care workers with safe equipment.
- Care workers will be given time to provide regular activities and effective forms of therapy for residents.

Training and support for employees

- All care workers – including bank and relief staff – will be regularly trained to meet the needs of all residents, as set out in their care plans.
- Training requirements will be met. Training must be free and carried out in work time, so cover staff must be arranged.
- DVD and e-learning will be used to complement high quality, face-to-face learning.

Decent pay for quality work

- All residential care workers will be paid at least the Living Wage – as calculated by the Living Wage Foundation or Greater London Authority every November.
- Councils which outsource employees on or above the Living Wage should ensure that new providers are required to maintain pay levels throughout the contract.
- Extra payment will be made for working unsocial hours, including weekends and Bank Holidays.
- Pay for sleep-ins must be at a level to ensure that the average hourly rate does not drop below the Living Wage.
- Holiday periods must also be paid as if at work.
- All care workers will be paid occupational sick pay.
- Employers will pay for Disclosure and Barring Service checks.

Time to care

- Zero hours contracts will not be used.
- Care workers will be given adequate breaks during their working day.
- Care workers will be paid for the time it takes to carry out a proper handover between shifts, which ensures safety and continuity of care for residents.
- Rotas will be planned well in advance to ensure adequate staffing levels and allow planned, time off for employees.

Part of the union

- Employers will recognise UNISON – negotiating pay and conditions with them and encouraging employees to join them.
- UNISON representatives will be given adequate paid time for the required training.
- Employers will provide opportunities for UNISON to meet members and employees as necessary.



**Save
Care
now!**

Not in UNISON?

Join today at joinunison.org

or call **0800 171 2193**



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TRAFFORD COUNCIL

Report to: Executive
Date: 20th February 2019
Report for: Decision
Report of: Executive Member for Adult Social Care

Report Title

Fair Price for Care: Annual uplift to the hourly rate paid to providers to deliver homecare in Trafford in 2019/20

Summary

This report makes recommendations regarding the annual uplift to the hourly rate paid to homecare providers in Trafford. It is based on information provided by finance colleagues about the provisional inflationary uplift for homecare services in Trafford, along with information and opinions from homecare providers, gathered through:

- A stakeholder engagement event held on 13th November
- Provider questionnaires, collected over the month of November 2018.

This report also provides details around the proposed adoption and implementation of UNISONs Ethical Care Charter, together with details of proposed changes to contractual requirements to include specific requirements around workforce pay and conditions.

Recommendation(s)

That the Executive approves the inflationary uplift of 4.27% to the hourly rate for homecare: an increase from £14.63 per hour to £15.25 per hour.

Contact person for access to background papers and further information:

Name: Karen Ahmed
Extension: 1890

Background Papers: None

Implications:

Relationship to Policy Framework/Corporate Priorities	<p>Low Council Tax and Value for Money</p> <p>Economic Growth and Development: Homecare annual uplift will contribute to improved workforce pay, conditions and retention, to stabilize the homecare market, supporting growth for local providers and improved skills for local people</p> <p>Services focused on the most vulnerable people: Homecare is a targeted service provided to the most vulnerable people, following a social care assessment.</p> <p>Trafford Plan to 2020 Integrating health and social care: we are working towards an integrated commissioning system for homecare between TMBC and Trafford CCG, who both contribute funding and commission homecare.</p>
Relationship to GM Policy or Strategy Framework	<p>Greater Manchester Population Health Plan 2017-2021: Age Well Priority: More people will be supported to live at home for as long as possible</p> <p>Greater Manchester Health and Care Board Urgent and Emergency Care Improvement and Transformation Plan: Homecare is integral to priorities around reducing delayed hospital discharges and urgent/unplanned care</p> <p>Greater Manchester Live Well at Home Strategy: This proposal is aligned with GM priorities to improve homecare and with GM Transformation monies, allocated to Trafford to transform homecare</p>
Financial	<p>The proposed uplift will require additional investment in 2019-2020 by the Council.</p> <p>The proposed uplift will increase the current hourly rate from £14.63 to £15.25. The additional costs have been budgeted and will be funded from within the 2019/20 budget envelope.</p> <p>Further work to transform homecare provision in Trafford is underway. Any additional costs which are incurred through this work, will be funded through Trafford's allocation of the GM Transformation Fund</p>
Legal Implications:	The legislative requirements are detailed in the report.
Equality/Diversity Implications	The equality and diversity implications been taken into account.
Sustainability Implications	Not applicable.
Resource Implications e.g. Staffing / ICT / Assets	Not applicable.
Risk Management Implications	Not applicable
Health & Wellbeing Implications	The recommendations outlined in this report will have a positive impact on the health and wellbeing of local residents in the following ways:

	<ul style="list-style-type: none"> • Local homecare workforce will experience improved pay and conditions which will improve their health and wellbeing and have a positive impact on workforce retention rate in homecare locally • People in receipt of homecare will experience improve quality of care by <ul style="list-style-type: none"> ○ ensuring adequate time for visits so that carers can do their job properly ○ providing statutory sick pay for workers so that they don't have to work with vulnerable residents when they are ill ○ improving access to training so carers can do their job well ○ improving local staff retention through improved pay and conditions leading to better continuity of care
Health and Safety Implications	Not applicable

1.0 Background

1.1 Trafford Council has committed to transform the way homecare is commissioned and delivered, with Transformation Funding provisionally allocated for this purpose. This report focuses mainly on a proposed annual inflationary uplift to homecare, as a means of ensuring good pay and conditions for the homecare workforce and stabilising the homecare market in Trafford. This will lay the foundations for achieving wider ambitions regarding homecare, through a co-ordinated programme of work. Alongside this, the Council is also considering how we can adopt, either wholly or in part, the principles outlined in UNISON's Ethical Care Charter (ECC).

2.0 Legislative Provisions

2.1 s5 (1) of the Care Act 2014 ("CA 2014") places a duty on local authorities to promote a diverse and high quality market of care and support services (including prevention services) for people in their local area. In particular, local authorities must act with a view to ensuring that there is a range of different services and providers to choose from. The Council must, under s5 (2) CA 2014, consider a number of factors when exercising this duty including the importance of ensuring the sustainability of the market and supporting continuous improvement in the quality of services; making available information about the services available to people in its area; the current and future demand for services in its area, and how this demand can be met by providers; the importance of carers and service users being able to undertake work, education and training; and the importance of fostering a suitable workforce whose members are able to ensure the delivery of high quality services because, they have relevant skills and appropriate working conditions.

2.2 Statutory guidance, guidance which the Council must have regard to in discharging its functions under s78 CA 2014, stresses the importance of the Council encouraging "a workforce that underpins the market" and encouraging training and development. When the Local Authority is commissioning services it must assure itself the fee levels do not compromise the homecare providers ability to:

- meet the statutory obligations to pay the minimum wages; and
- provide effective training and development of staff; and
- pay remuneration that is least sufficient to comply with the national minimum wage legislation for hourly pay or equivalent salary. This will include appropriate remuneration for any time spent travelling between appointments

2.3 Local authorities must facilitate markets that offer a diverse range of high-quality and appropriate services. In doing so, they must have regard to ensuring the continuous improvement of those services and encouraging a workforce which effectively underpins the market through:

- standards
- skills
- qualifications and apprenticeships

2.4 It is recognised that the quality of services provided and the workforce providing them can have a significant effect on the wellbeing of people receiving care and support, and that of carers, and it is important to establish agreed understandable and clear criteria for quality and to ensure they are met.

2.5 When commissioning services, local authorities should assure themselves and have evidence that service providers deliver services through staff remunerated so as to retain an effective workforce. Remuneration must be at least sufficient to comply with

the national minimum wage legislation for hourly pay or equivalent salary. This will include appropriate remuneration for any time spent travelling between appointments.

3.0 Transformation Proposal

- 3.1 There are a number of existing processes and work streams, which are affected by or feed into decision making to transform homecare. These are outlined below:

Homecare Transformation

Trafford has Greater Manchester transformation funding for homecare which is yet to be allocated. We have completed robust data analysis and consultation, to establish our current position. As a result, work will focus on the following themes:

- **Homecare Integration:** improving how homecare works with the wider health and social care system in Trafford to keep people safe and well at home for longer
- **Prevention:** developing homecare to prevent urgent and unplanned care and reduce the demand for residential and nursing places in Trafford
- **Workforce Development:** ensuring workforce conditions support the delivery of good quality, sustainable homecare
- **Technology:** using assistive and organisational technology to enhance the type and quality of care and maximise organisational efficiency, safety and value for money
- **Place based working:** aligning homecare with existing neighbourhood models to make best use of local resources and ensure residents can connect with their community

Proposed Adoption of the Ethical Care Charter

UNISONs Ethical Care Charter (“ECC”) is a set of principles for improving workforce pay and conditions for the homecare sector and improving the quality of care at home. The homecare commissioning team has consulted with providers regarding the impact of adopting the charter and has also completed an impact paper which outlines how Trafford Council could implement the charter, including the risks, benefits and the cost implications. The executive member for adult social care, Councillor Harding, will be presenting a motion to the in March Council 2019, which seeks commitment to implementing ECC principles. If a commitment to the adoption of ECC principles is secured, this report provides details of how the ECC could be adopted by Trafford together with associated implementation proposals.

Fair Price for Care is the annual process, which informs rate setting for homecare. For the coming financial year 2019/20, this process has involved:

- Event in November seeking provider views on adopting ECC principles and specific market pressures for homecare providers
- Follow up provider questionnaire regarding cost of delivering homecare, financial pressures and pay and conditions for the homecare workforce (November 2018)
- Written notification of the intended uplift for homecare (expected to be £15.25/hour)
- A period where providers can feedback on the proposed uplift
- Executive decision making
- Final notification to providers of the annual uplift

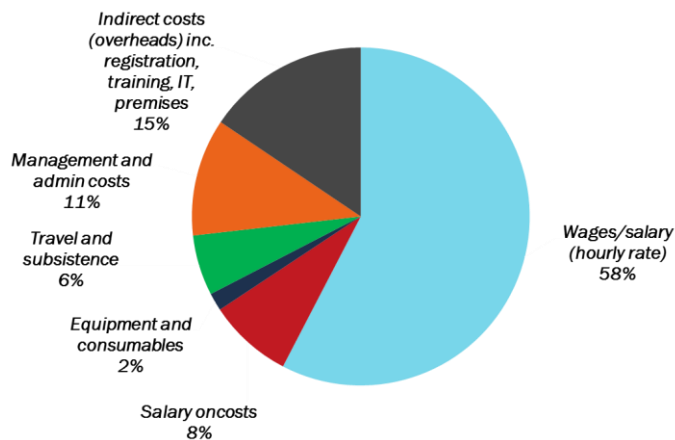
- 3.2 The proposal to offer our homecare providers an inflationary uplift of 4.27% for the financial year 2019-2020 equates to an increase from £14.63 to £15.25 per hour.

There are several methodologies for calculating the cost of homecare. Below are some examples for reference:

ITEM	UK National Living Wage 2019/20 rates	GM Living Wage 2019/20 rates	UKHCA 's minimum price for homecare services	Trafford Council proposed increase 2019/20
Wages/salary (hourly rate)	£8.20	£9.00	£9.91	£8.79
Salary on costs	£1.15	£1.26	£1.39	£1.23
Equipment and consumables	£0.25	£0.27	£0.30	£0.26
Travel and subsistence	£0.82	£0.90	£0.99	£0.88
Management and admin costs	£1.60	£1.76	£1.93	£1.72
Indirect costs (overheads) inc. registration, training, IT, premises	£2.21	£2.20	£2.67	£2.37
Unit cost of homecare	£14.23	£15.40	£17.19	£15.25

3.3 The calculations are based on the full recommended annual inflationary uplift, allowing providers to pay more than the National Living Wage and work towards paying the Greater Manchester Living Wage, along with appropriate travel and subsistence costs for the workforce.

3.4 The proposed annual uplift also uses a methodology agreed by the Chartered Institute for Public Finance and Accountancy (CIPFA), as follows:



3.5 The proposed rate compares with Greater Manchester local authorities as follows:

Local Authority	2018/19	2019/20
Manchester	£15.20	£15.89
Salford	£14.40	Inflationary Uplift TBC
Wigan	£14.77	Inflationary Uplift TBC
Trafford	£14.63	Inflationary Uplift TBC
Tameside BAU	£14.77	Inflationary Uplift TBC
Tameside enhanced	£17.00	Inflationary Uplift TBC

3.6 Subject to Council's decision on the ECC, alongside the inflationary uplift, we are proposing to introduce, by way of a contract variation for existing contracts and

additional wording for future contracts, new provider requirements around workforce pay and conditions which will help us to begin to implement the ECC.

- 3.7 It is proposed that existing and future contracts shall require providers to evidence:
- Hourly rate paid to staff of at least £8.79 per hour
 - Paid travel time and costs
 - Paid time to attend training
 - Starting point for visits is client need and not time or task. Workers have time to provide appropriate care and to talk to clients
 - Visits will be scheduled so workers are not rushed and don't have to leave visits early
 - Eligible workers will be paid statutory sick pay.
- 3.8 The proposed contractual changes relate to the following Ethical Care Charter principles:
- Starting point for visits is client need and not time or task. Workers have time to provide appropriate care and to talk to clients
 - Homecare workers will be paid for travel time and travel costs and other work related costs
 - Visits will be scheduled so workers are not rushed and don't have to leave visits early
 - Eligible workers will be paid statutory sick pay
- 3.9 Providers will also be expected to participate in a local leadership development programme, for Registered Managers and senior Workers, to drive up the quality of homecare in Trafford.
- 3.10 This is part of a wider programme of work to transform homecare, which commenced in June 2018, and will:
- lay the foundations for enhanced homecare pilots and other improvements to workforce pay and conditions, including investment of transformation funding in enhanced homecare pilots and a structured programme of workforce development; and
 - ultimately lead to a comprehensive retender of homecare in Trafford, in October 2021.

4.0 Proposal Summary

- 4.1 The proposed uplift will enable providers to commit to the National Living Wage and to pay travel time, travel costs, training time and other work related expenses
- 4.2 The proposed uplift allows us to offer a competitive rate to providers and care workers, who might otherwise choose to work in neighbouring authorities such as; Manchester or Salford and this helps Trafford to meet growing demand for homecare
- 4.3 The proposed uplift also provides us with an opportunity to seek a commitment to the adoption of EEC principles from Council which, if secured, will allow us to improve workforce pay and conditions to stabilise the homecare workforce and reduce staff

turnover and, in turn, reduce provider overheads and stabilises the market, laying the foundations for innovation.

5.0 Other Options

5.1 The main alternative options available to the Council are as follows:

Option	Advantages	Disadvantages
Do not apply an annual uplift	No additional cost to ASC homecare budget No additional procurement resource for contract variation	<ul style="list-style-type: none"> Providers may experience difficulties in paying their staff the required minimum and living wage Without a financial uplift which is at least in line with inflation we would not realistically have the option to seek Council's commitment to the adoption the ECC principals Market will be destabilised and people may go without care due to lack of capacity as providers withdraw from framework Staff turnover in Trafford is already at 45% and this will potentially increase if providers can't apply an inflationary uplift to wages Willingness from providers to engage in transformational work may reduce and we won't be able to utilise GM funding to achieve our homecare aspirations Local providers will lose workforce to neighbouring local authorities who have committed to the national and/or GM living wage
Apply a lower uplift	Reduced cost to ASC homecare budget	<ul style="list-style-type: none"> If we don't apply an uplift in line with inflation, the market will destabilise and all of the above disadvantages will apply
Apply a higher uplift	Subject to Council's decision on the adoption of ECC Principles, if more funding for homecare was provided, we would have increased options to expedite the implementation of ECC principles,	<ul style="list-style-type: none"> Increased cost to ASC budget which may not be sustainable The enhanced rate which we intend to apply to transformational projects will offer less of an incentive to providers We would like to offer financial enhancements for new ways of working rather than Business As Usual, so that we can test

		<p>out the effectiveness of these ways of working and make informed long term decisions.</p> <ul style="list-style-type: none"> • Increasing funding does not necessarily increase quality.
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6.0 Consultation

6.1 Significant consultation has already taken place, (see Appendix 1 attached) with regard to the general local homecare market Trafford. We have also consulted with homecare providers around the annual uplift (although no financial information has been provided) and the impact of adopting the Ethical Care Charter. An over view of homecare consultation is provided below:

- **Homecare Engagement Event (October 2019):** involving homecare providers, health, social care and voluntary sector partners to consider the key strengths, weaknesses, opportunities and challenges facing homecare in Trafford, with a focus around 5 key themes: Prevention; Integration; Workforce; Technology; Place based working.
- **Follow up questionnaire** to stakeholders who were unable to make the event
- **Voluntary, community and social enterprise (VCSE) sector consultation (November 2019):** focussing on more joined up working between homecare and VCSE sector to achieve better prevention, integration and place-based working
- **Fair Price for Care Consultation Event (November 2019):** Provider event focussing on specific market pressures for homecare providers and gathering their views about adopting Ethical Care Charter objectives
- **Fair Price for Care Provider Questionnaire:** Follow up provider questionnaire seeking more detailed financial information about the costs of delivering homecare locally and the current state of the market with regard to workforce pay and conditions.

7.0 Reasons for Recommendation

- 7.1 The proposed uplift will enable providers to commit to the National Living Wage and to pay travel time, travel costs, training time and other work related expenses
- 7.2 The proposed uplift allows us to offer a competitive rate to providers and care workers, who might otherwise choose to work in neighbouring authorities such as; Manchester or Salford and this helps Trafford to meet growing demand for homecare
- 7.3 The proposed uplift will also enable us to seek Council's commitment to the implementation of ECC principles and, if a commitment to the adoption of EEC principles is secured, to progress with the identified implementation proposals. The rationale for this is:
- Improving workforce pay and conditions has been proven to stabilise the homecare workforce and reduce staff turnover;
 - This in turn reduces provider overheads and stabilises the market, laying the foundations for innovation.

Key Decision (as defined in the Constitution): Yes

If Key Decision, has 28-day notice been given? Yes



CORPORATE DIRECTOR'S SIGNATURE *(electronic)*

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

Appendix 1: Summary of Stakeholder Consultations: Transforming Homecare Priorities

Homecare stakeholder consultation summary

Introduction

This document summarises the findings of a number of stakeholder consultation events that have taken place as part of the homecare transformation programme.

Background

Trafford is undertaking a programme of work to transform the way we commission and deliver homecare for our residents. The programme will focus on the following key themes: prevention; integration; workforce development; technology and place based working. As part of the analysis phase of the homecare transformation programme, we have undertaken a number of stakeholder consultation events and are in the planning phase for future stakeholder research work.

Why are we consulting stakeholders?

The aim of this consultation work is to ensure transformation projects are developed in line with Care Act statutory guidance, use robust data and are co-produced, involving key stakeholders so that we:

- Recognise people as assets
- Support people's contributions and ideas for improvement
- Build on people's capabilities
- Develop two-way reciprocal relationships
- Encourage peer and community support networks
- Facilitate, rather than only deliver to people

Who are we consulting?

We want to ensure that the homecare programme that Trafford delivers offers the best possible experience for the care recipient; their family or community support network. We also want to improve conditions for the care workforce and ensure our care providers and the local voluntary community and social enterprise sector are valued and supported. To enable this, we are inviting all these stakeholders to share their skills, experience and knowledge to help us to design, deliver and monitor services and projects.

What will we do with the results?

We will use the results from these stakeholder consultations to directly influence the projects that we commission as part of the homecare transformation programme. They will help to ensure that services are people-centred, to challenge status quo ways of thinking, and to ensure we are working to deliver the right services for the local community.

The consultations

Homecare stakeholder event summary: 9th Oct 18

The homecare stakeholder event was an opportunity to engage key stakeholders to reflect on:

- The strengths of the homecare market in Trafford
- The challenges of delivering good homecare
- The opportunities to maximise relationships
- Commitment to innovation and momentum, to achieve more integrated, preventative and person-centred homecare services for Trafford residents



25 homecare framework provider representatives

10 NHS colleagues

18 Trafford council colleagues (social work, transformation, OTs, commissioning, skills, communities, growth)

Trafford Director of Adult Social Services

2 VCSE local partners



Round-table discussions working to produce a homecare SWOT analysis on:

**Prevention
Technology**

**Integration
Workforce development**

Place-based working

Strengths

- Good quality care is provided
- Willingness and openness to change
- Technology offer is good but needs rollout
- Neighbourhood working and co-location has improved relationships/ info sharing
- Good communication between commissioners and providers
- We link with the voluntary sector
- 3 Conversations; Right Care for You

Challenges

- Complex pathways to access services
- High care staff turnover
- Building relationships to develop integrated working
- Restrictive time-and-task focus
- Lack of shared systems
- Focus on processes not relationships
- Lack of resources (e.g. assessors)
- Providers don't know how to access tech

Opportunities

- Locality-based commissioning
- Improved info sharing using tech and co-location
- Upskilling homecare staff
- Electronic call monitoring
- Quality checks and feedback; coproduction
- Streamline assessment & referral process
- Consistent staff
- Focus on outcomes
- Shared induction and training days

Limiting factors

- Prohibitive costs/ lack of funding
- Day-to-day pressures prevent time or capacity to move to new ways of working
- The system is hard to navigate
- It's hard to access information
- Staff retention-lack incentives to stay with one provider or stay in homecare
- Training needs to include service users, family and a range of professionals
- Inadequate ICT/MI systems/data security



VCSE consultation event summary: 9th Nov 18

The VCSE consultation event was hosted for Trafford Council by Thrive as a way to open a dialogue between the council and VCSE organisations working to support Trafford residents with homecare or reablement in their home or local community.

The event aimed to look at how the council can work with the VCSE sector in a more integrated way to provide better help to people who are in receipt of, or likely to be in receipt of, homecare or reablement at home. It also aimed to look at new and innovative ways to prevent the need for homecare.



16 VCSE local partner representatives

2 Trafford homecare transformation team

1 Trafford councillor (Executive Member for ASC)



Round-table discussions working to produce a homecare SWOT analysis on:

Prevention

Integration

Place-based working

Strengths

- Many great services and orgs operating in Trafford, but we could be more joined up
- Our partners want to help advance positive change and new ways of working
- Trust, knowledge and shared values between statutory and voluntary sector
- One Trafford response as a case study (co-ordinating the relevant help, worked well in pilot, lessons being cascaded)

Challenges

- Carers lack knowledge of what is in place in the community /how to direct users to it
- Confusion over responsibilities / areas of overlap between statutory and VCSE
- No clear, defined processes/ on how to work together; lack of joined-up thinking
- Blind-spot in monitoring the care delivered
- Identifying the right people for preventative services; referral pathways

Opportunities

- VCSE often able to get closer to people than home-carers can due to less prescriptive uses of their time
- Housing improvements (e.g. handyperson)
- Better use of community spaces
- Improved communication and access to neighbourhood information (e.g. What's On?)
- Removing access blockers (e.g. transport, accompanying to first visit)
- Intergenerational projects in schools

Limiting factors

- Lack of resources (including funding) leads to competition not collaboration
- Ability to ensure sustainability (e.g. short contracts, re-organisation of orgs, loss of continuity and knowledge)
- Appetite for risk-taking
- Responsibilities/statutory capacity for change
- Long term cost savings often difficult to quantify / occur in other parts of the system



Fair Price for Care consultation summary: 13th Nov 18

The Fair Price for Care consultation aimed to offer a way of understanding the financial pressures facing the local homecare market and the differences in cost for providers. Information from the providers will be used to help with financial modelling and planning other types of support for providers (e.g. local training offer, use of community buildings, round management technology).

The consultation event was supported by a questionnaire sent to all Trafford's framework homecare providers, allowing those who did not attend the event to have input and those who did attend to reflect further on the current situation and ideas for improvement.



15 homecare framework provider managerial staff

3 Trafford homecare commissioning colleagues

1 Trafford councillor (Executive Member for ASC)



- General feedback on a fair price for care in homecare
- Round-table discussions on the UNISON Ethical Care Charter

Advantages

- *For staff:* Morale and motivation; guaranteed income; greater financial stability; career path; more social interaction with colleagues; feel valued
- *For service users:* Consistency, dignity and relationship building with carer
- *For providers:* Staff can be attracted, retained and developed

Disadvantages

- Costs to providers (e.g. overheads, travel and visit times squeezed by costs)
- Occupational sick pay may encourage low attendance levels
- Respite time
- Cultural changes required to change staff attitudes to work
- Nothing about anti-social hours
- Some carers like zero hour contracts

Most important objectives

- Clients allocated the same worker wherever possible
- Career development – building confidence
- Support from colleagues – communal areas
- Hourly pay-rates for carers to allow more selective and higher calibre recruitment
- More respect for carers and managers from health and social care professionals
- Keeping people in the sector

Dependencies

- Higher, fair hourly rate; support and financial resources for overheads (e.g. training)
- Guaranteed block hours to allow guaranteed hours contracts for staff
- ECMS software to manage time-allocated visits
- Consultation with the carers to check the charter meets their needs



Next Steps

The consultation events will inform our priorities around transforming homecare and developing an ethical approach to commissioning homecare. The key priorities moving forward are as follows:

- Agreeing the annual uplift for business as usual homecare in Trafford Council
- Agreeing the mechanisms for drawing down transformation funding to facilitate innovation
- Agreeing the Homecare Work Plan for 2019-2021
- Agreeing a tender timeline for homecare innovation projects
- Further consultation with the homecare workforce, people who receive homecare and their families and unpaid carers

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