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TRAFFORD COUNCIL

AGENDA PAPERS FOR

BUDGET EXECUTIVE MEETING

Date: Wednesday, 19 February 2020

Time: 6.00 p.m.

Place: Committee Rooms 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 2020/21, AND THE MEDIUM TERM FINANCIAL STRATEGY (MTFS) FOR 2021/22 AND 2022/23**

To consider reports of the Executive Member for Finance and Investment, and the Corporate Director of Finance and Systems, as follows.

(a) Executive's Revenue Budget Proposals 2020/21 & MTFS 2021/22 - 2022/23 — 1 - 88

To consider a report of the Executive Member for Finance and Investment.

6. **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.

7. **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.

SARA TODD
Chief Executive

COUNCILLOR ANDREW WESTERN
Leader of the Council

Membership of the Committee

Councillors A. Western (Chair), C. Hynes (Deputy Leader), S. Adshead, M. Freeman, J. Harding, E. Patel, T. Ross, J. Slater, G. Whitham and J.A. Wright.

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

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

This agenda was issued on Tuesday 11th February 2020 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:	**19 February 2020**
Report for:	**Decision**
Report of:	**Executive Member for Finance and Investment and the Corporate Director of Finance and Systems**

Report Title

Executive's Revenue Budget Proposals 2020/21 & MTFS 2021/22 - 2022/23

Summary

This report sets out the Executive's updated 3 year budget strategy proposals and detailed revenue budget proposals for 2020/21 and Medium Term Financial Strategy (MTFS) for the period 2021/22-2022/23.

The key summary of figures for the revenue budget are:

- The overall budget movement for 2020/21 is an increase in the net budget of £5.26m or 3.09%, from £169.94m to £175.20m.

- The budget funding gap for the three years before applying these proposals is now estimated to be £42.13m comprising:
  - £36.9m of additional cost pressures
  - £5.23m of reductions to funding

- The proposals contained in the report close the 2020/21 budget gap of £18.50m via a mixture of measures:
  - Additional funding of £3.98 million and use of reserves £4.47m
  - Income generation £6.12m
  - Service delivery savings £3.93m

- It should be noted that if all the proposals in this report are implemented there currently still remains a residual budget gap of:
  - £15.01m in 2021/22, and
  - £5.66m in 2022/23

Throughout 2020 the Executive will continue to review proposals to address this budget gap.

<u>Recommendation(s)</u>

That the Executive recommend to Council that it :-

a) Approves the 2020/21 net Revenue Budget of £175.20m.

b) Approves the 2021/22 to 2022/23 Medium Term Financial Strategy (MTFS) including the income and savings proposals.

c) Approves the calculation of the Council Tax Requirement as summarised in Section 9.1 and set out in the Formal Council Tax Resolution in Annex K (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) Approves the proposal to increase Council Tax by 3.99% in 2020/21:
   - 1.99% general increase in the 'relevant basic amount' in 2020/21, 2021/22 and 2022/23, and
   - 2% for the 'Adult Social Care' precept in 2020/21.

e) Approves the planned application of earmarked reserves as detailed in Section 6, Para 6.4.2

f) Approves the Fees and Charges for 2020/21 and those relating to Registration of Births, Death & Marriages also shown for 2021/22, as set out in the Fees & Charges booklet.

g) Delegates authority jointly to each Corporate Director in consultation with the Corporate Director of Finance and Systems to amend fees and charges during 2020/21 in the event of any change in VAT rate, as appropriate.

h) Delegates authority jointly to each Corporate Director in consultation with the Corporate Director of Finance and Systems to amend fees and charges during 2020/21 where the economics of the charge levels have changed (e.g. costs have risen unexpectedly), or for commercial reasons.

i) Approves the proposal to maintain the minimum level of General Reserve for 2020/21 at £7.0m, the same level as in 2019/20 (Section 6.6).

j) Approves the Capital Strategy, Prudential and Local Indicators and overall level of the Capital Programme and Asset Investment Fund of £368.72m (as detailed in the Capital Strategy, Capital Programme & Prudential Indicators 2020/23) of which £262.11m relates to 2020/21; including the proposal in relation to £106.92 million of new prudential borrowing.

k) Approves the Treasury Management Strategy 2020/21 to 2022/23, including the debt strategy (Section 3), the Treasury 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.

l) Approves the proposed distribution of Dedicated Schools Grant as recommended by the School Funding Forum and Executive as summarised in Section 8 and detailed in Annex J.

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

m) The objective assessment by the Corporate Director of Finance and Systems of the robustness of budget estimates and adequacy of the financial reserves (Section 6 and Annex I).

n) The Executive's response to the Scrutiny Committee's recommendations to the budget proposals as included in a separate report on the agenda.

o) The Council's Public Sector Equality duty.

p) The results of the consultation on the budget proposals where required.

In addition, Executive recommends that Council notes the following :

q) The approval on 18 January 2020 under delegated powers by the Corporate Director of Finance and Systems of the Council Tax Base for 2020/21 at 77,386 Band D equivalents.

r) the calculation of the estimated Council Tax surplus, sufficient to release £(1.216)million to support the Council's 2020/21 revenue budget and a distribution of £(180)k and £(70)k representing the respective shares of the Mayoral Police and Crime Commissioner Precept and Mayoral General Precept (including Fire Services).

s) The base budget assumptions as set out in the Medium Term Financial Strategy (MTFS) as detailed in Annex A.

t) The budget gap for the two years 2021/22, £15.01m and 2022/23, £5.66m.

u) That the Capital Programme for 2020/21, 2021/22 and 2022/23 is to be set at an indicative £262.11m, £60.37m and £46.24m respectively (indicative at this stage as a number of capital grants not yet known).

v) 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 Tom Ross, Executive Member for Finance and Investment
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 budget for 2020/21 supports all key priorities and policies.
Financial	The report sets out the proposed budget for 2020/21, allocating available resource across service objective heads as detailed in Annex H 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.
Equality/Diversity Implications	The Council has complied with the requirements of its Public Sector Equality Duty. Measures have been subject to equality impact assessments where necessary.
Sustainability Implications	There are a number of measures throughout these budget papers which support the Council's ambition of becoming carbon neutral by 2038.
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	Equality Impact Assessments have been carried out where appropriate. The Council is directed to have regard to its Public Sector Equality Duty in reaching its decision.
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 2020/21 comprising the increase of 2% for the ‘adult social care precept’ to be earmarked for adult social care expenditure and 1.99% 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 2020/21. If this option were pursued then further savings of £3.98 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 6) 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
None of the proposals in the budget report have required public consultation.

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.

<u>Reasons for Recommendation</u>
To enable the Council to set a Budget Requirement and Council Tax level for 2020/21. The reasons for these recommendations are to deliver a balanced budget for 2020/21 in relation to the proposals set out in this report, whilst having due regard for equality impact and risk mitigation.

<u>Key Decision</u>
This is a key decision currently on the Forward Plan: Yes

Finance Officer Clearance …….GB……

Legal Officer Clearance …DS….……

CORPORATE DIRECTOR'S SIGNATURE

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

Executive's Revenue Budget Proposals 2020/21 & 2021/22-2022/23 Medium Term Financial Strategy

19 February 2020

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FOREWORD by the EXECUTIVE MEMBER for FINANCE and INVESTMENT COUNCILLOR TOM ROSS

I am pleased to present the Council's budget report for the period 2020/21 to 2022/23 which sets out our spending priorities across the revenue budget, capital programme and the Dedicated Schools Grant (DSG) budgets.

Setting local authority budgets is no easy task, particularly following ten years of funding reductions. Since 2010 savings of £145m have been made to council services which have placed an immense strain on our ability to provide those services within Trafford which our residents and communities deserve.

It is important to acknowledge that the UK Government in May 2010 projected a budget balance by 2015/16 as a result of their flagship austerity policy; a policy that has had a significant impact on local government finances. The Government austerity measures failed to achieve this outcome and local government does, and is projected to, face further spending pressures over the next three years.

Politicising an economic crisis, as happened following the global financial crisis, has consequences. The consequences include the cuts to services we have witnessed over the past decade and growing demand pressures. As I write, the Council is also exposed to the uncertainty and consequences of Brexit, which could have serious consequences on our revenue. This is further compounded when considering Trafford's expenditure on services is the lowest of any metropolitan district which limits our flexibility to address further cuts in funding.

Where it can the Council endeavours to spend resources locally and in 2018/19 49%, equivalent to £87m of our controllable expenditure, was spent within Trafford and I would like to thank colleagues at STaR Procurement for their work on promoting local spend.

We are also facing significantly increasing demands on our services, particularly adults and children's social care. Our population is projected to increase by around 10% to 260,000 over the next twenty years, a slightly higher rate of increase than the national projection of 9%. 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 42%, whilst those aged 85 and over will increase by 72% bringing even greater challenges to the health and social care system. This coupled with a growth in the number of children in care and those with special educational needs, places a great strain on this area of the budget which accounts for over half of our net expenditure.

In May 2019 we received the results of an Ofsted inspection of Children's Services and this has led to additional investment into the service in the current year to address issues arising from the report.

In the summer a Ministry of Housing, Communities and Local Government Select Committee produced a timely report on the current state of local government finance, given the impact caused by the previous years of the austerity budgets, ahead of the Spending Round announcement on 4 September 2019. This, despite only covering one year with the exception of school funding, announced some much needed support for local government, including £1bn of new social care grant funding and £500m from a social care precept, together with £700m for special educational needs provision. Whilst the Council's estimated share of the former will only go part way to meet our rising cost pressure it comes as a welcome measure to help balance our budget plans.

The Spending Round also announced the deferral until 2021/22 of the implementation of the Fair Funding Review, which will be used as the basis of distribution of local government resources nationally, and the reset of the business rate retention scheme; the latter being good news for the Council for 2020/21 particularly in view of the announcement to continue with the Greater Manchester 100% business rate retention pilot. Unfortunately this will mean there will be significant budget pressure in 2021/22 following the business rate reset due to the level of revenue from business rate growth in previous years which supports the budget currently. We eagerly await details of the new distribution and transitional arrangements; the latter being highly relevant to the Council given the significant reduction in funding it will suffer from a full reset of the business rate system.

The Local Government Provisional Settlement was announced on 20 December 2019 and reiterated the forecasts within the Spending Round, albeit with some disappointing news on the New Homes Bonus grant.

We expect a number of key announcements from Government during 2020, a number of issues which will have a direct and significant impact on the budget. The national Spending Review, expected in the summer will hopefully signal some reliable multi-year forecasts for local government which should help us plan the budget with more certainty. We also await the promised update on fair funding and the reset of the business rate system together with an update on the future of social care which should offer some solutions for our social care services and how they can be afforded in the future.

Over summer 2019 the Executive and Corporate Leadership Team developed a new Corporate Plan which describes the Council's vision and priorities for the borough and provides the framework for our financial strategy. 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 and everyone in Trafford"

We believe the seven strategic priorities 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. 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.

The Council is on a journey to modernise the way we deliver services. We are aware of the increasing demands being put on council services across the country and we are no exception here at Trafford. Our customers have increasing expectations and they want a high quality service while we have to juggle these demands with less money. We have responded to these ongoing challenges by changing the way we do things, for example through collaborating with partners, improving efficiency and reducing spending where possible. However, we now need to do more if we want to be able to deliver our Corporate Plan and strategic priorities over the next three years and make Trafford a better place for everyone.

To help us achieve this we have started a programme of modernisation and remodelling of our services for the future. That means working smarter, collaborating with partners to help us deliver our corporate priorities, something we are already doing with the NHS locally through Trafford CCG, understanding the needs of our user groups in the long term and working with staff at all levels to tap into their expertise. Work is underway on our digital strategy and investing in new technologies that are available and this will continue as part of the modernisation approach.

We are talking to our staff about how they think we can improve the way we deliver services to meet the needs of a modern society - how we could be doing things differently and more effectively to help shape service areas for the next few years.

We are working closely with the CCG with the aim of delivering more integrated health and social care services and continue to utilise the Transformation Funding from government to deliver improved and more efficient services. During 2019/20, partners across Trafford have worked together to produce the Trafford Together Locality Plan which is our blueprint for the transformation of health and social care over the next 5 years and our response to the NHS Long Term Plan.

A number of workshops have been held on the budget, firstly to 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 14 October 2019 there have been a number of factors which have contributed to an overall increase in the budget gap for 2020/21 from £12.96m to £18.50m and over the next three years from £31.67m to £42.13m. This increase of £10.46m primarily relates to additional investment in Children's social care, increases to the cost of adult social care and increases to the National Living Wage.

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 Local Government Financial Settlement. The implications of the projected outturn for 2019/20 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 and we will continue to support the work of Scrutiny Committee during 2020/21.

Movement in Gross Budget Gap Draft to Final	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
At Draft Budget	**12,956**	**10,238**	**8,471**	**31,665**
Total Changes to Budget Assumptions (see Annex B for detail)	5,584	2,085	1,336	9,005
Changes to Funding				
Changes to Council Tax (base and prior 19/20 estimated surplus)	226	42	15	283
Impact of Fairer Funding assumptions	0	500	500	1,000
Changes to Business Rate provisional settlement	(267)	446	1	180
Total Changes to Funding (Non Policy Choice)	**(41)**	**988**	**516**	**1,463**
Revised Gross Budget Gap (Feb 2020)	**18,499**	**13,311**	**10,323**	**42,133**

It is the objective of the Executive to balance the budget in a way that minimises the impact on front line services and 2020/21 is no exception. The Asset Investment Strategy will continue to deliver crucial net revenue streams and these account for 50% of the overall savings and income proposals in 2020/21.

The 2020/21 revised gross budget gap of £18.50m has been met by a combination of the following:-

- Policy Choice Funding Increases amounting to £8.44m, comprising
  - Adult Social Care Precept of 2% to generate £2.00m
  - Increase in the basic rate of Council Tax of 1.99%, generating £1.97m
  - Application of Budget Support Reserve £4.47m
- Income generation and savings amounting to £10.06m, comprising:-
  - Income Generation of £6.12m
  - Service Delivery Savings of £3.94m

Summary of the Budget Proposals	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Revised Gross Budget Gap (Feb 20)	**18,499**	**13,311**	**10,323**	**42,133**
Policy Choice Funding Proposals				
Adult Social Care Precept increase 2%	(2,000)	(2,188)	(2,327)	(6,515)
General Increase in basic Council Tax to 1.99%	(1,978)	(1,986)	(2,083)	(6,047)
Contribution from Budget Support Reserve	(616)	616	0	0
Contribution from Budget Support Reserve (Children's Invest to Save measures)	(3,850)	3,850	0	0
Total Policy Choice Funding	**(8,444)**	**292**	**(4,410)**	**(12,562)**
Savings and Income proposals	**(10,055)**	**1,408**	**(255)**	**(8,902)**
Revised Budget Gap (Feb 20)	**0**	**15,011**	**5,658**	**20,669**

Our budget plans for 2020/21 include for some significant levels of new investment, including within the revenue budget:-

- Additional funding for children's and adults social care £15.4m, (excluding grants and savings) with the major items including:-
    - a major invest to save initiative within Children's Services to help support our early help and prevention services £3.8m,
    - Additional investment in Public Health services of £1m to support more preventative interventions
    - Additional investment to support increases in the National Living Wage £2m
    - Demographic pressures £4.6m
    - Contractual and pay pressures £2.4m

The capital investment plans include proposals for some major new investment; these include in 2020/21:-

- Investment in school buildings of £15.0m
- Major highways and other key infrastructure improvements £14.9m
- Leisure centre developments £11.10m
- Targeted support to some of our most vulnerable residents £5.1m
- Provision of cycling and walking schemes £4.8m
- Outdoor sports, improvements to green spaces and tree planting £1.2m
- Public realm works in our town centres £4.3m
- Town centre and business loans £0.3m

In respect of climate change this will continue to be at the forefront of Council decision making and priorities to support the ambition of becoming carbon neutral by 2038. Whilst preparatory work has been undertaken by a task and finish group it is now time to push on and an action plan will be developed over coming months, supported by external experts, to understand and develop the plans we need to put in place with key stakeholders across the borough to address this target. There are a number of measures in this budget report which provide a start to this process including, substantial investment through the Mayor's Challenge Fund in new cycling and walking schemes and a significant investment in parks and open spaces including new tree planting schemes. There are also proposals to reduce the carbon emissions at Altrincham Crematorium through the introduction of two resomation cremators and further work will be undertaken to understand the business case and financial viability of these proposals.

The Council is undertaking an options appraisal of the One Trafford Partnership Contract with Amey following a report produced by the Council's Overview and Scrutiny Committee in February 2019. Executive has received update reports during 2019 and has recommended the continuation of discussions with Amey on the future operation of the contract, with particular emphasis on service improvement. A further update report will be provided to Executive early in 2020. It is assumed any changes approved by Executive from the options appraisal will be cost neutral on the Council's budget.

As part of this update I need to mention the comments of the Corporate Director of Finance and Systems on the robustness of these budget plans and Section 6 and Annex I provide more details. These identify a number of key risks and measures, particularly around the Reserves Strategy and the size of the remaining budget gap for 2021/22. The Council has recently received an update on the Financial Resilience Index from Cipfa and a notable risk continues to be the level of earmarked reserves, which are low in comparison to similar types of authority. In recent years the Council has successfully replenished reserves where possible and this has provided some resilience to the challenges ahead. Whilst the Spending Round in the autumn provided welcome relief in the form of additional social care grant and the ability of raising additional resources through a continuation of the social care precept these are only short term fixes. Government has promised to review and fix the social care system and we await with interest the outcome of such a review.

The proposals in this report still leave a budget gap of £15.01m in 2021/22 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.

That said there are measures which will go some way to support the achievement of a balanced budget in later years. The continuation of the Asset Investment Strategy is also already providing invaluable revenue streams to support the budget; the proposals include for an increase to the current Fund which stands at £400m to £500m in order to provide headroom to allow the continuation of the Strategy, with particular focus on the regeneration of the Borough. The plans include significant invest to save measures in our Children's Services which are expected to increase the quality of services and lead to reduced demand and in later years, net budget savings. In addition the developing modernisation work will help in identifying potential measures capable of supporting the budget in future years.

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 £20.67m, 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 2020/21 to meet this future financial challenge.

Councillor Tom Ross

Executive Member for Finance and Investment

1 BUDGET PROCESS 2020/21

1.1 Budget Approach 2020/23

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

1.1.3 The gross revenue expenditure of the Council in 2019/20 is £472m and comprises:-

- Gross revenue budget £260m (£169.94m, net of specific grants and fees and charges income);
- Schools (Dedicated Schools Grant) £143m (excluding academy schools);
- Housing Benefits £69m.

1.1.4 In addition the Council has a capital programme of £263m in 2019/20 (including the Asset Investment Fund) which covers the cost of acquisition of new assets and major maintenance and improvements of the Borough's infrastructure.

1.1.5 In setting the budget close attention is placed on ensuring it aligns closely with the Council's corporate plan and priorities. At the heart of the Council's vision is a common cause to make Trafford a better borough; a place where everyone has a chance to succeed and where everybody has a voice. The Council knows it has to do things differently as it cannot do it all and, 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 the new vision, it is making a commitment to work together across different services and agencies to make the best use of its resources.

"Working together to build the best future for all our communities and everyone in Trafford"

1.1.6 These are exciting times for Trafford and the 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.

1.1.7 Partnerships and collaboration will underpin the approach across Trafford and, using a place based approach, the Council will work together with partners to deliver co-ordinated support that empowers the individual, makes the most of its assets and focusses on prevention. It will start from a basis of what people can do, not from what they can't do. This will mean that it can achieve things it can't do alone and ensure that it keeps improving the lives our residents.

1.1.8 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

1.1.9 To deliver on the plan it is also necessary to develop the way we work given the ten years of austerity that the Council has been through and therefore during the latter part of 2019, the Council embarked on a Modernisation journey to improve the way we deliver our services by thinking differently and fundamentally reshaping the Council and its services. There is a need to work smarter, make use of digital technology and collaborate with partners where it can. The Council takes a leading role in shaping how joined up services across the sector can best support the local area and people and is continuously shaping our culture, practices, processes and business models to respond to people’s changing needs and expectations. It is working to improve the way it delivers services to meet the needs of a modern Trafford and has been holding focus groups, workshops and ongoing discussions in recent months for staff and partners to input to and help determine the change projects that will be delivered in the future. This is being done so that by 2023:-

***the Council** will be a people-focused, digitally enabled, commercially minded Council where our high-performing place based services will provide an excellent customer experience making the most of our assets in the borough.*

1.1.10 It is acknowledged that Council employees are its greatest resource. A significant cultural change programme is underway that has a strong focus on establishing a more strategic commercial and performance orientated culture. Equal weight is put on how things are done not just what is achieved and in order to achieve the vision and plan a number of key values have been co-produced with staff:-

- **EMPOWER** – We inspire and trust our people to deliver the best outcomes for our customers, communities and colleagues.
- **PEOPLE CENTRED** – We value all people, within and external to the organisation and give those around us respect. We will act with honesty and integrity in all that we do.
- **INCLUSIVE** – We are committed to creating an environment that values and respects the diversity and richness differences bring.
- **COLLABORATE** – We build relationships, collaborate; treat people as equal partners and work together to make things happens.

1.1.11 With this framework as the context, the budget proposals have been developed. Members of the Executive and the Corporate Leadership Team have held a number of budget workshops to review the overall budget position and to ensure it supports the delivery of outcomes related to each priority and have identified five key themes around which these budget proposals have been developed:-

- **Fundamentally Reshaping our Services** – through a series of service modernisation workshops with Council staff this will create a Council which is ready for the challenges of the future. This approach will bring different capabilities and experiences together from across the Council, which will increase resilience. Services will be digital by design, exploiting opportunities provided by existing and emerging technology to deliver significant efficiencies and be a better experience.

- **Be More Commercially Minded** – To maximise commercial opportunities by continuing the investment strategy. Fundamental to Trafford is the Traded Services offer and this will be reviewed to ensure it meets customers future needs. This will also provide for a mixed economy of service provision and regularly test the market to ensure value for money.

- **Delivering More of Our Own Services** – To ensure the Council continually maximises the Trafford Pound, making sure that the services delivered are efficient and effective.

- **Health and Social Care Integration** - Using a place based approach, the Council will work together with partners, to deliver co-ordinated support that empowers the individual, makes the most of its assets and focusses on prevention. The focus will be on what people can do to support themselves, not on what they can't do, meaning more can be achieved by working in partnership to improve the lives our residents. Aspirations are to develop the existing partnership arrangements, focussing on strong neighbourhoods recognising the differing needs and treating each community equally.

- **Other Corporate Efficiencies** – Will be achieved by continually challenging activity to improve performance, reduce costs, invest for the future and generate income to ensure long term sustainability.

1.1.12 These priorities will be refreshed during 2020 to incorporate the Council's ambition to be carbon neutral by 2038.

1.1.13 A full review of all assumptions used in developing the budget plans has been undertaken, to ensure they are still relevant and up to date, including a review of all continuing savings programmes. In developing the budget proposals the Executive has continued to focus on the 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.

1.1.14 Both the revenue budget and capital programme have been developed to ensure they clearly support the delivery of outcomes related to each priority.

1.1.15 The draft budget for 2020/21 was agreed by the Executive on 14th October 2019 and set out the overall approach to the budget to address a budget gap of £31.67m in the revenue budget over the next three years, of which £12.96m related to 2020/21.

1.1.16 At draft budget in October 2019 a number of income generation and proposals and savings totalling £7.66m were identified and assumptions were made on increases to the rate of council tax. At that stage a budget gap of £0.72m remained in 2020/21.

Table 1: Budget Gap Oct 19	**2020/21 £000's**	**2021/22 £000's**	**2022/23 £000's**	**Total £000's**
Gross Budget Gap before Feb 19 Savings and Policy Choice Funding Proposals	**28,496**	**6,735**	**0**	**35,231**
Budget Updates at Draft (Oct 19)				
Changes to Budget Assumptions	(3,348)	743	8,863	6,258
Changes to Funding	(12,192)	2,760	(392)	(9,824)
Revised Gross Budget Gap (Oct 19)	**12,956**	**10,238**	**8,471**	**31,665**
Policy Choice Funding Proposals				

Adult Social Care Precept increase 2%	(2,010)	(2,188)	(2,327)	(6,525)
General Increase in basic Council Tax to 1.99% (subject to referendum level)	(1,968)	(1,986)	(2,083)	(6,037)
Contribution from Budget Support Reserve	(600)	600	0	0
Total Policy Choice Funding	**(4,578)**	**(3,574)**	**(4,410)**	**(12,562)**
Savings and Income proposals	(7,658)	3,242	1,290	(3,126)
Revised Budget Gap (Oct 19)	**720**	**9,906**	**5,351**	**15,977**

1.1.17 Since the draft budget which was approved by the Executive on 14th October 2019 there have been a number of factors which have impacted on the overall budgetary position and are updated in this report:-

- **Section 2** – Review of the Financial Background for Local Government, including the Provisional Local Government Finance Settlement
- **Section 3** – Review of the current year budget monitoring position
- **Section 4** – Budget Update including the changes to the budget pressures and funding assumptions since draft budget and how the budget gap is met for 2020/21
- **Section 5** – Proposed Budget 2020/21 – 2022/23
- **Section 6** – Budget robustness and review of risks and update on the planned application of reserves
- **Sections 7 and 8** - An update on the Investment Strategy and School Budgets
- **Section 9** – Council Tax Requirement and Statutory Calculations

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 not had to undertake public consultation on any of these budget proposals but targeted and specific consultation has been undertaken where relevant.

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

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 together with a review of budget proposals (13 November 2019)

- Stage 2 – Two further sessions were held on 3 and 5 December 2019 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 27 January 2020 in the 'Overview and Scrutiny Review of the Executive's Draft Budget Proposals for 2020/21' report.

1.3.4 The Committee welcomed the balanced budget proposals for 2020/21 and were satisfied with the Council's plans for the year ahead. There were a number of areas where they would like further information and assurance and these areas have been identified for follow up during 2020/21, including:-

- Investment Management Strategy
- Council Reserves
- Breaking Down Silos
- Service Transformation
- Accommodation
- Early Intervention and Prevention
- Commissioning
- Demand Led Services

1.3.5 The Executive's response to the Scrutiny Committee issues and recommendations can be found in a separate report on the Executive agenda.

2 FINANCIAL BACKGROUND

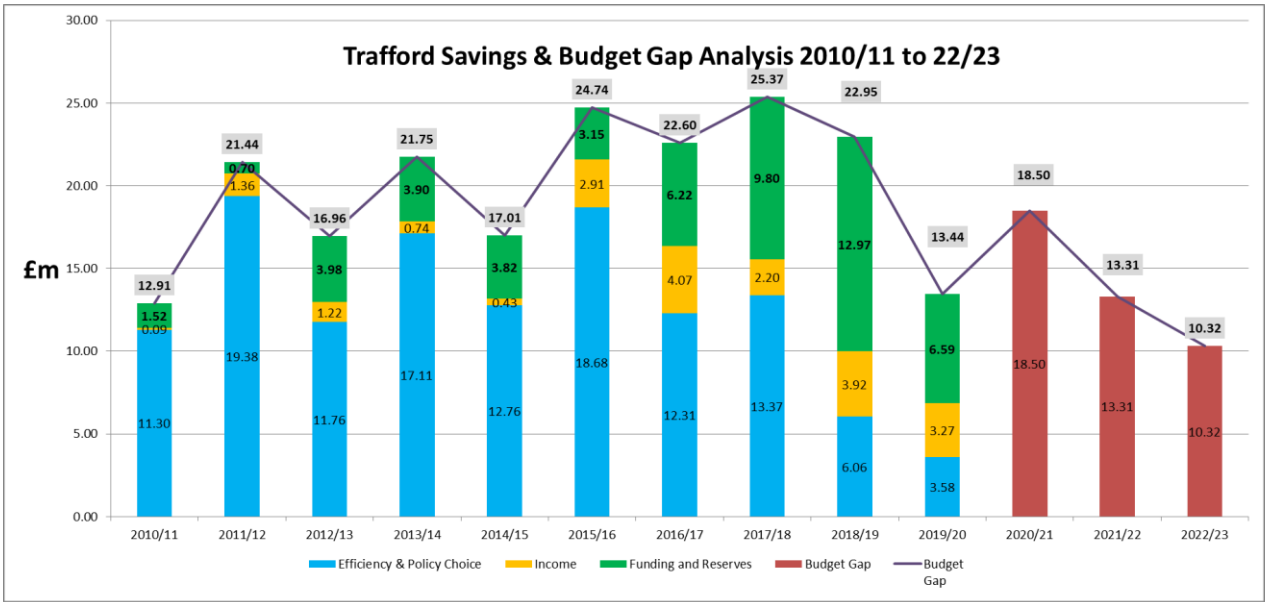
2.1 Background

2.1.1 Since 2010 the Government has reduced the funding for Local Government as part of its efforts to reduce the fiscal deficit by 29% from £28.1bn in 2010/11 to £19.8bn in 2020/21.

2.1.2 Alongside reductions in funding, local authorities have had to deal with growth in demand for key services, most notably adults 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.

2.1.4 This has meant that by 2020/21 the total value of budget gaps caused by the expenditure pressures and funding reductions since 2010/11 to 2019/20 is £199.1m. There is a further forecast gap for the next three years of £42.13m, of which £18.50m relates to 2020/21.



2.2 Spending Round 2020/21

2.2.1 The Chancellor announced the spending round on 4 September 2019 which included headline numbers for government departmental spending for 2020/21 and indicative three year allocations for schools. Whilst the plans provide local government with some useful numbers on which it can plan for 2020/21 they do not give any certainty in the medium term with a fuller spending review promised to be made later in 2020 when a multi-year spending review is expected to be announced.

2.2.2 The main headlines announced in the spending round included:

- Departmental spending to increase by 4.4% in real terms, whilst keeping within the government's fiscal rules.
- Social Care Grants that local authorities received in 2019/20 will continue in 2020/21
- An additional £1bn of grant funding will be distributed for social care in 2020/21 plus a further 2% adult social care precept (estimated £500m).
- A real-terms increase in the Public Health Grant and an inflationary increase in Revenue Support Grant.
- Authorities will be able to increase the Band D council tax up to 2% for the basic element and a further 2% for the Adult Social Care precept.

2.2.3 The outcome of consultation is still awaited on the basis of distribution of the additional social care grant although it is expected this will equate to additional social care funding of £5.175m in 2020/21 which will go some way to alleviate the spending pressures in this area. In addition the indexation of public health and revenue support grant is estimated to provide a further £451k of funding.

2.2.4 The Spending Round also announced a three year funding settlement for schools, High Needs and Early Years children. Nationally, additional funding provided will be £2.6bn in 2020/21, £4.8bn in 2021/22 rising to £7.1bn in 2022/23. It confirmed:

- An increase in per pupil funding for all schools in line with inflation in 2020/21 (1.8%) with a minimum per pupil amount of £3,750 for primary schools and £5,000 for secondary schools.
- Minimum rate per pupil for primary schools rising to £4,000 in 2021/22.
- Additional funding of £700m in 2020/21 for children with special educational needs
- Additional funding of £66m for Early Years
- Additional funding of £400m in 2020/21 for Further Education
- Confirmation that the government will continue to cover additional teachers pensions costs for schools
- Commitment to move towards a hard National Funding Formula for schools as soon as practical

2.2.5 **Fair Funding** - The Ministry of Housing, Communities and Local Government (MHCLG) has announced a delay in the fair funding review for local government, which will include a complete review of the relative needs and funding required by different councils to fund their services. The new methodology will now be effective from 2021/22.

2.2.6 **Business Rates –** Since 2017/18 Trafford has been part of the Greater Manchester 100% Business Rate Retention pilot and currently benefits from a significant level of business rate funding and growth to support its budget. An announcement following the Spending Round has confirmed that the Pilot will continue in 2020/21 to the benefit of Trafford and the Greater Manchester area and that the full reset of business rates baselines, originally expected for 2020/21, being postponed until 2021/22. This is positive news for Trafford as any reset will put at risk the majority of the benefit the Council currently receives from business rates growth rewards. This potential reduction is factored into these projections from 2021/22.

2.2.7 The overall benefit from business rates growth supporting the Council's 2020/21 budget is £11.35m as detailed in Annex C.

2.2.8 However, there still remains uncertainty over the level of funding that will be available from 2021 due to the 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.

2.3 Local Government Provisional Finance Settlement

2.3.1 The 2020/21 Local Government Finance Settlement was announced on 20th December 2019. The headline funding measure used is called the Core Spending Power (CSP) which includes all the key funding streams available to a local authority including:-

- Settlement Funding Assessment (SFA) (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
- Social Care Grant

2.3.2 CSP will increase from £46.213bn to £49.142bn (6.34%) or a headline rate of 4.4%, after taking account of inflation, between 2019/20 and 2020/21.

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

Table 2: Core Spending Power	2019/20 £m	2020/21 £m
Settlement Funding Assessment	41.133	41.803
Section 31 BR compensation grants	1.168	1.460
Council Tax	99.500	104.988
Improved Better Care Fund (**)	7.037	7.983
New Homes Bonus	1.724	1.312
Rural Services Delivery Grant	0	0
Transition Grant	0	0
Social Care Support Grant (*)	1.616	0
Winter Pressures Grant (**)	0.946	0
Social Care Grant (*)	0	5.458
Total	**153.123**	**163.003**
% Increase		**6.45%**

* The Social Care Support Grant for 2019/20 has been rolled in to the Social Care Grant along with the additional £1bn of new resource for 2020/21 giving Trafford a total Social Care Grant of £5.458m

** The Winter Pressures Grant for 2019/20 of £0.946m has been rolled in to the Improved Better Care Fund in 2020/21

2.3.4 The increase for Trafford (6.45%) was slightly higher than the national average (6.34%) due to the increase in specific social care grants.

2.3.5 The Settlement confirmed the one year extension of the previous spending review with an inflationary increase in Revenue Support Grant (RSG) as detailed in the table below. This shows an increase in Revenue Support Grant, a component of SFA in the table above, of £0.085m, which impacts on the level of baseline funding retained by the Council (See Annex C). Since 2016/17 RSG has fallen by 77% from £22.989m to £5.385m.

2.3.6 At a headline level the provisional settlement reiterated the figures highlighted from the September spending round, however with the following changes:-

- ➢ New Homes Bonus £1.3m which is £0.4m worse than expected at the draft budget
- ➢ Minor inflationary adjustments on Business Rates worth £0.3m benefit
- ➢ Further consideration of the real terms increase in Public Health Grant will be clarified at Final Settlement. Our budget assumptions continue

to assume the real terms increase of +1% above inflation, as indicated in the September spending round.

- Confirmation of the continuation of Homelessness and Troubled Families funding in 2020/21.

2.3.7 The final settlement was announced on 6 February 2020 and confirmed the allocations announced at provisional settlement.

2.4 Council Tax

2.4.1 Whilst Council Tax in Trafford remains one of the lowest in the country and the second lowest in Greater Manchester, council tax revenues have in the past offered a fairly buoyant source of income due in part to the growth in the tax base. However the level of growth has been scaled back in our budget assumptions for 2020/21, in comparison with previous years, largely due to an increase in the percentage of new properties attracting single occupancy discounts. Tax base growth has been assumed at 0.5% for 2020/21, however it is forecast to increase at 1% in future years to reflect our investment in public realm which is expected to have the twin benefits of attracting more business whilst also making our town centres attractive places to live.

2.4.2 Taking these factors into consideration the Corporate Director of Finance and Systems, in accordance with her delegated powers, has approved a Tax Base of 77,386 Band D properties for 2020/21, an increase of 387 from 2019/20. The forward plans have an expectation of growth in council tax base of 0.5% for 2020/21 and 1.0% in each of 2021/22 and 2022/23.

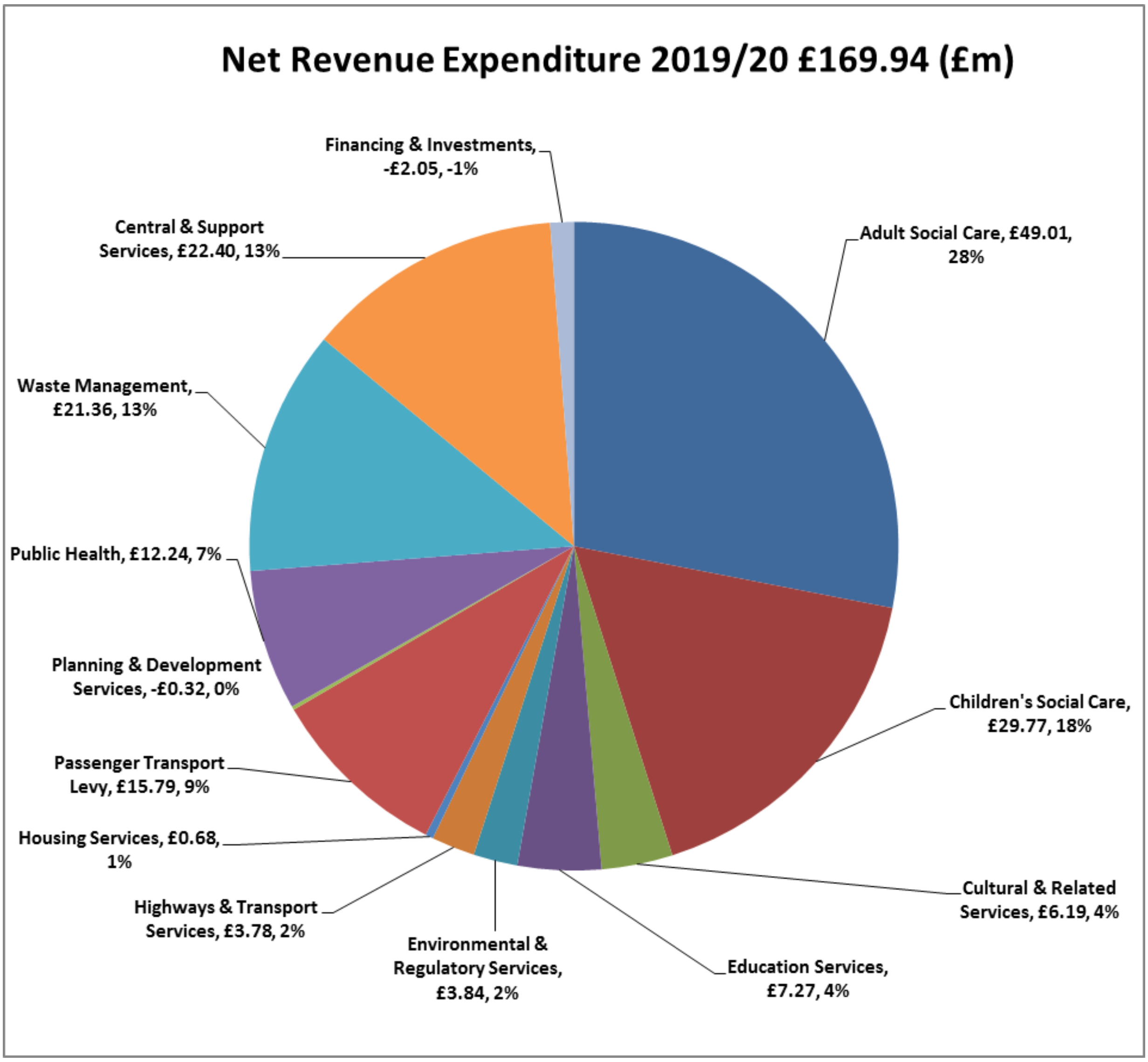
2.5 Summary

2.5.1 The Spending Round, coupled with the deferral of the fair funding review and reset of the business rate retention system, have provided some positive respite against the funding reductions encountered over the last ten years. Whilst they provide positive support for the budget for 2020/21 the impact of the business rate reset now planned for 2021/22 will reduce business rate funding by approximately £11m. This reduction in funding, together with an assumption around a government transitional protection scheme and growth in business rates post reset have been factored into the projections contained in this budget report.

3 2019/20 BASE BUDGET & MONITORING POSITION as at PERIOD 8 (November 19)

3.1 Base Budget 2019/20

3.1.1 The Council's current gross budget for 2019/20 is £478.25m however this includes specific funding of Dedicated Schools Grant and Housing Benefit. The Council's net controllable budget agreed by Council in February 2019 was £169.94m.



3.2 Revenue Budget Monitoring 2019/20 Period 8 (November 2019)

3.2.1. Delivery of the 2019/20 budget is critical to ensure that budget forecasting for future years can be done on a sound basis. The period 8 (November 2019) revenue budget monitoring report forecasts an underspend of £650k as follows:

Table 3: Budget Monitoring results by Service	2019/20 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percent-age
Children's Services	36,057	37,622	1,565	4.3%
Adult Services	48,772	50,285	1,513	3.1%
Public Health	11,778	12,417	639	5.4%
Place	34,862	35,385	523	1.5%
People	3,189	3,249	60	1.9%
Finance & Systems	7,535	7,449	(86)	(1.1)%
Governance & Community Strategy	7,852	7,804	(48)	(0.6)%
Total Directorate Budgets	**150,045**	**154,211**	**4,166**	**2.8%**
Council-wide budgets	19,892	15,076	(4,816)	(24.2)%
Net Service Expenditure variance	**169,937**	**169,287**	**(650)**	**(0.4)%**
Funding				
Business Rates (see para. 20)	(66,489)	(66,489)		
Council Tax (see para. 16)	(99,500)	(99,500)		
Reserves	(2,624)	(2,624)		
Collection Fund surplus	(1,324)	(1,324)		
Funding variance	**(169,937)**	**(169,937)**	**0**	**0.0%**
Net Revenue Outturn variance	**0**	**(650)**	**(650)**	**(0.4)%**
Dedicated Schools Grant	**133,960**	**133,989**	**29**	**0.0%**

3.2.2. The current in-year variations contain a number of items with those notable items listed below which has been considered in determining the budget proposals for 2020/21:

- **Children's Services** – there are a number of pressures in the current year including the response to the recent Ofsted inspection which has led to additional investment into certain aspects of the service, the continuing rise in demand and increasing cost of children's placements and home to school transport and a rise in staffing costs due to a policy of reducing the caseloads of individual social workers.
- **Adult Services** – whilst the Service is managing to maintain client numbers, the cost of individual care is placing a strain on in-year budgets caused by an increase in costs due to market conditions and also client complexity. Cost pressures are also being encountered on Public Health Community Services and the service continues to strive to undertake measures in-year to control expenditure in this area.
- **Place** – staff vacancies are helping to offset a downturn in a number of income streams, most notably some town centre ground rent income.

- **Central Services** (People, Finance and Systems and Governance and Community Strategy) – historically these service areas have helped mitigate the pressures in the demand-led services due to various savings in staffing costs due to staff turnover and additional income but pressure is being felt in these areas.
- **Council-wide budgets** – additional income from the Investment Strategy, dividend from Manchester Airport Group and a release of some contingency budgets have helped mitigate the in-year monitoring position.

3.2.3. Despite continuing efforts to control expenditure the Council is still seeing an increase in expenditure in social care caused by rising demand and cost of care. Amounts of £7.2m and £8.2m in children and adult social care respectively have been added to the budget in 2020/21; well in excess of the new resources made available by government.

3.2.4. These items above have been considered in developing the budget proposals for 2020/21 and later years.

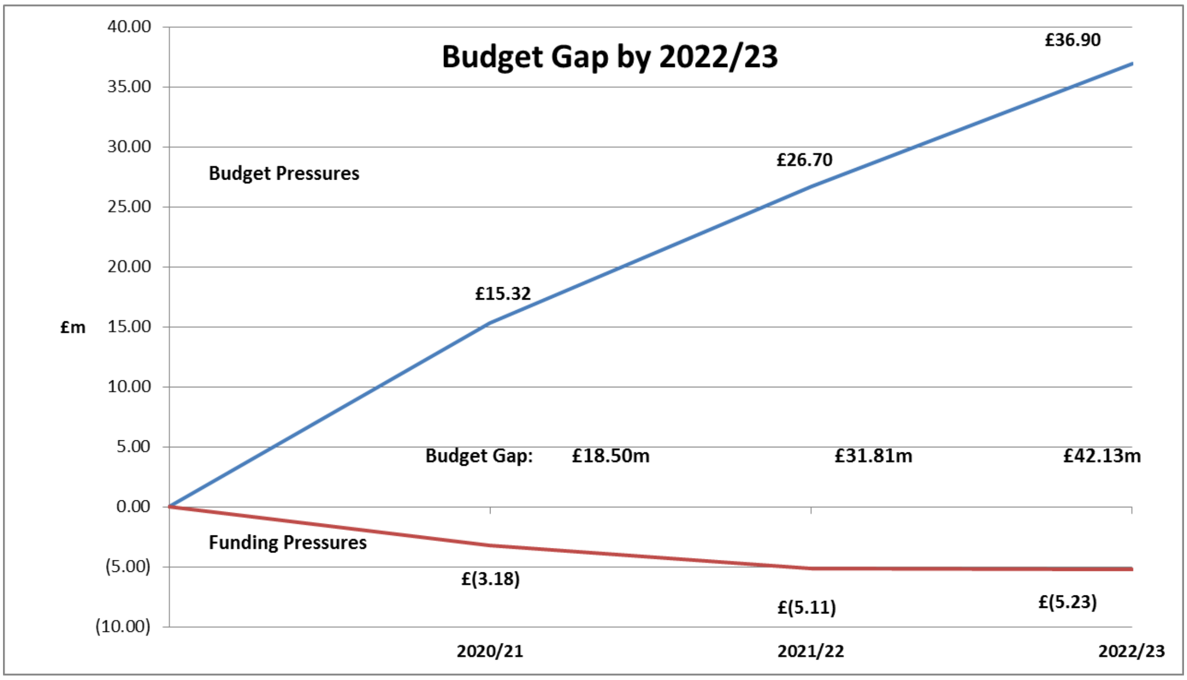
4 BUDGET UPDATES 2020/21 and MTFS 2021/23

4.1 This section identifies:-

- The overall budget gap for 2020/21 and later years and explains the changes since the draft budget was published in October 2019;
- How the budget gap has been closed for 2020/21.

4.2 Updated Annual Funding Position

4.2.1. The MTFS position reported to the Executive in the October 2019 Draft Budget report showed an overall budget gap for 2020/21 to 2022/23 of £31.67m, however due to the additional investment in Children's and Adult Services, the release of the provisional 2020/21 Local Government Finance Settlement, and updates to policies, assumptions and estimates, the budget gap for the three years has now increased by £10.46m to £42.13m, as shown in the chart below:



4.3 Updated Cost Pressures, Investment and Funding Summary

4.3.1. <u>Budget Pressures: £36.90m</u>

- An overall increase in cost pressures of £36.90m over the next three years, an increase of £9.0m 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 2.0% pay award. An impact of £5.13m over three years; an increase of £390k since draft budget.

- Living Wage: an allowance of £5.23m over the next three years has been provided, which covers projected increases in pay, for external care staff, based on the National Living Wage. This represents an increase of £0.69m since draft.

- Inflation: relates to non-staffing budgets and had included a general allowance of 2% per annum over the three years. A review of our inflation assumptions in 2020/21 will require inflation to be absorbed within existing budgets. However, a figure of £0.41m has been included for the subsequent two years. Other contractual inflation has been assumed totalling £6.62m over the next three years. No change since draft.

- Levies: a reduction of £0.21m over three years, including £1.02m since draft, largely from a reduction in the waste disposal levy. A local authority contribution may be required following the outcomes of the consultation on the proposed bus reforms. On the basis of the above Trafford Council's share would be £1.5m. An earmarked reserve has been established in our budget proposals and will be drawn down during 2020/21 if required.

- Demography/ Care Costs: The draft budget included an annual budget increase to reflect the increasing number of adults & children requiring social care of £8.50m over the next three years. A strategic review of investment in children's care costs has been undertaken and a focus will now be placed on early intervention and deflection from care through additional social work support which is expected to achieve savings in placement costs. Since the draft budget a further investment has been added to the budget of £1.61m, mainly due to a continuing rise in adult care costs. The investment in additional social workers is shown in Other investments below. The total additional investment in adults and children's social care in 2020/21 is £15.4m.

- New Income including Grants of £(4.99)m including an allowance of £(3.82)m for the Council's share of the additional social care funding of £1.0bn the Government is providing, continuation of Adult Social Care funding from 2019/20 of £(1.34m) and £(0.58)m indexation of the improved Better Care Fund (pending). The figure includes a reduction from the draft budget of £0.410m for New Home Bonus Grant largely as a result of Trafford's growth in domestic properties being proportionately less than the national average.

- Treasury Management: includes investment interest and borrowing costs, a reduction of £0.3m, which includes for additional investment income returns due to forecasted higher volumes of cash balances, in part offset by a pressure in 2021/22 due to forecast interest rates remaining low for a longer period due to the current economic uncertainties.

- Other: totalling £14.89m over three years, an increase of £7.54m from the draft budget. This growth includes

- Cost pressures of £4.8m relating to additional resources added to the Children's budget to cover additional salary cost and staffing requirements as part of an invest to save measure, an increase of £3.7m since draft. A further £2.25m over the next three years has been added since the draft budget to be held within Council Wide as a contingency item to cover against an increase in care costs should the invest to save measures in Children's Services not be achieved in full.

- £1.0m in Children's and Adult's Services after the loss of transformation funding, £0.98m pressures within Public Health and removal of £1m Public Health contingency held within Council Wide budget.

- £1.0m to baseline the costs of our Transformation Team.

- Also in 2020/21 includes reversals of prior year savings which were either one off in nature or coming to an end relating to Housing Benefit overpayment recovery £0.5m and Pension Fund advanced payment saving £0.76m and allowances for other minor service pressures and contingency items

- Since the draft budget £0.79m has been added for ICT costs relating to the migration to Office 365 and investment in additional security and compliance.

Overall increase in the estimate of budget pressures since the October draft budget is £9.00m of which £5.6m relates to 2020/21.

4.3.2. Estimated Funding Pressures for the period to 2022/23: £5.23m

Using the 2019/20 funding of £169.94m as the baseline, this is estimated to reduce to £164.71m over the next three years, resulting in a funding pressure of £5.23m. This is a change of £1.46m since draft, largely due to a reduction in the assumptions in growth of our Council Tax base of £0.3m and early indications of the changes in Fairer Funding Review £1.0m. The main feature in the funding pressures relates to the assumptions surrounding the reset of the Business Rates Growth Pilot which was scheduled for 2020/21 but has now been deferred until 2021/22 and the assumptions on Council Tax base as detailed below:

- **Council Tax**: The total estimated increase in income over the three year period due to changes in tax-base is £1.19m (adjusting for the use of collection fund surpluses in 2019/20), a slight reduction of £0.3m from draft due to the lowering of our estimates on growth in tax base. This comprises a 0.5% allowance in 2020/21 (previously 0.75%) and 1% per annum for the following two years estimated growth in the number of properties. The 2020/21 figure has been marginally reduced to reflect a higher than expected take up of property discounts being experienced in the current financial year. These assumptions on growth will increase the Council Tax base in each of the next three years and generate approximately £0.5m in 2020/21 and £1.0m per annum in the following two years.

- The release of prior years' accumulated surplus will contribute an additional £1.216m on a one off basis in 2020/21.

- **Business Rates**: The total estimated reduction in Business Rates over three years is estimated at £2.94m. This figure includes a number of assumptions relating to the reset of the baselines and the transitional protection the Government may offer. In summary the loss of £11.3m from the reset of Business Rates and the one off distribution of prior year surplus in 2019/20, will be offset by an assumed reset transitional protection scheme. We are assuming there will be a protection scheme post reset which protects, on a tapering basis, on the entirety of our benefit including the 100% pilot retention scheme. In addition we estimate that following a national reset £1.3bn of business rate growth will then be redistributed through the new fair funding formula; this represents approximately £3.9m of additional funding for the Council based on current distribution methodologies. Indexation on our Baseline Funding and an assumed post reset growth will generate £1m in both years. Full details of which are shown in Annex C with a summary in the table below.

- **Fairer Funding Review:** The Government has acknowledged that the review of the mechanism for the distribution of resources under the Fairer Funding Review will be delayed until autumn 2020. Early modelling of the changes being considered in the provisional consultation issued in 2019 indicated that the Council may see a reduction in resources over the medium term of between £0.5m and £1m. As a precaution these figures have been built into our medium term forecast since the draft budget.

- **Budget Support Reserve:** In 2019/20 there was a one-off contribution from the reserve; the removal of this creates a funding pressure in 2020/21 of £2.624m.

4.3.3. At the draft budget the total benefit from Business Rates for 2020/21 was estimated at £65.26m, a reduction of £1.23m from 2019/20. The estimated benefit from Business Rates has been updated to £65.53m as a result of the provisional settlement, representing an improvement of £270k. The improvement consists of updates to the national inflation factor used to increase the small business rate multiplier and indexation of compensation grants. As part of the exercise to review the robustness of our budget assumptions, the forecast rateable value has been adjusted downwards to reflect the latest in-year forecasts and anticipated growth in properties during 2020/21. In order to maintain our budgeted expectations, this shortfall has been offset from a one off contribution from the Business Rates Risk Reserve to the tune of £0.64m in 2020/21.

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

Table 4: Benefit from Business Rates	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
Core Baseline Funding	35,834	36,418	37,147	37,890
Revenue Support Grant	5,299	5,385	5,385	5,385
Public Health Grant	12,064	12,381	12,381	12,381
Total Baseline Funding Level (BFL)	**53,197**	**54,184**	**54,913**	**55,656**
Business Rates Growth	13,292	11,347	85	87
Assumptions on Transitional Protection			8,256	6,803
Assumption on Growth Post Reset			1,000	1,000
Business Rates Benefit over BFL	**13,292**	**11,347**	**9,341**	**7,890**
Total Benefit from Business Rates	**66,489**	**65,532**	**64,253**	**63,546**
Yearly Change				
Change in BFL		987	728	743
Change in Business Rates Benefit		(1,944)	(2,006)	(1,450)
Yearly Change		**(957)**	**(1,278)**	**(707)**

Loss in Business Rates over period £0.957+£1.278+£0.707 = £2.94m

4.3.4. 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 5: Movement in Gross Budget Gap Draft to Final	2020/21 £000's	2021/22 £000's	2022/23 £000's	Total £000's
Gross Budget Gap at Draft Budget	**12,956**	**10,238**	**8,471**	**31,665**
Total Changes to Budget Assumptions (see Annex B for detail)	5,584	2,085	1,336	9,005
Changes to Funding				
Changes to Council Tax (base and prior 19/20 estimated surplus)	226	42	15	283
Impact of Fairer Funding assumptions	0	500	500	1,000
Changes to Business Rate provisional settlement	(267)	446	1	180
Total Changes to Funding (Non Policy Choice)	**(41)**	**988**	**516**	**1,463**
Revised Gross Budget Gap (Feb 20)	**18,499**	**13,311**	**10,323**	**42,133**

4.4 How the Budget Gap Has Been Met 2020/21

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

Table 6 : Summary of the Budget Proposals	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Revised Gross Budget Gap (Feb 20)	**18,499**	**13,311**	**10,323**	**42,133**
Policy Choice Funding Proposals				
Adult Social Care Precept increase 2%	(2,000)	(2,188)	(2,327)	(6,515)
General Increase in basic Council Tax to 1.99%	(1,978)	(1,986)	(2,083)	(6,047)
Contribution from Budget Support Reserve	(616)	616	0	0
Contribution from Budget Support Reserve (Children's Invest to Save measures)	(3,850)	3,850	0	0
Total Policy Choice Funding	**(8,444)**	**292**	**(4,410)**	**(12,562)**
Savings and Income proposals *	**(10,055)**	**1,408**	**(255)**	**(8,902)**
Revised Budget Gap (Feb 20)	**0**	**15,011**	**5,658**	**20,669**

(*) Full details are included in Annex D

4.4.2. A summary of the changes since the Draft Budget Report in October 2019 which included a remaining gap of £720k are summarised as follows with more specific detail given in Annex B

Table 7: Movements Since Draft Budget	2020/21 £000's	2021/22 £000's	2022/23 £000's	Total £000's
Budget Gap (Oct 19)	**720**	**9,906**	**5,351**	**15,977**
Changes to Budget Assumptions	5,584	2,085	1,336	9,005
Changes to Funding (Non Policy Choice)	(41)	988	516	1,463
Additional Savings and Income Proposals	(2,397)	(1,834)	(1,545)	(5,776)
Contribution from Budget Support Reserve	(3,866)	3,866		0
Revised Gap	**0**	**15,011**	**5,658**	**20,669**

An explanation of the changes to Budget Assumptions/ Pressures and Funding (Non Policy Choice) are referred to above at 4.3.1 and 4.3.2 with full details shown in Annex B.

The major changes to Savings and Income Proposals totalling £(2.397)m in 2020/21, are summarised below with full details in Annex B.

New Savings and Income Proposals and Policy Choice Adjustments

- Additional Investment Interest £(1.0)m
- Children's Services (placement and demography savings) £(1.2)m
- Other £(0.2)m

Changes to Funding (Policy Choice)

- The figure of £(3.866)m relates to the use of the Budget Support Reserve to balance the 2020/21 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 2020/21.

4.4.3. <u>Council Tax</u>

a) Council Tax: within the Provisional 2019/20 Local Government Finance Settlement the Government set out its proposals regarding Council Tax referendum principles for 2020/21

b) to allow Local Authorities to increase their Council Tax by less than 2% without the need to hold a referendum i.e. allow a 1.99% general increase in the 'relevant basic amount'. This budget report includes for a 1.99% increase in 2020/21 and a further 1.99% increase in 2021/23.

c) Continue the flexibility offered on the use of the 'adult social care precept' by 2% and this has been included in the funding assumptions for 2020/21 and later years.

4.4.4. **Therefore the budget for 2020/21 includes proposals for an overall increase in the level of Council Tax of 3.99%:**

- 1.99% general increase in the 'relevant basic amount' and
- 2% for the 'Adult Social Care' precept

5 PROPOSED 2020/21 BUDGET and 2021/23 MTFS

5.1 The proposed net budget for 2020/21 is £175.203m an increase in the net budget of £5.266m or 3.09%, from £169.937m. Full subjective and objective summaries providing a breakdown of the 2020/21 net budget of £175.203m can be found in Annexes E & H.

5.2 Whilst the budget gap has now been closed for 2020/21 the size of the challenge over the following two years remains significant. For that reason the budget process for 2021/22 will, as in previous years, commence immediately after the approval of the 2020/21 budget such that sufficient time is afforded to consider all options at an early stage, to ensure robust savings and income proposals can be developed in order to bridge the budget gap in future years as shown below.

Table 8: The 2020-23 Budget Gap	February 2020		
Budget Forecasts	**2020/21 £000's**	**2021/22 £000's**	**2022/23 £000's**
Net Budget b/fwd	**169,937**	**175,203**	**187,986**
Budget Pressures			
Pay	**2,312**	**1,434**	**1,379**
Living Wage	**2,161**	**1,570**	**1,500**
Inflationary	**0**	**202**	**207**
Contractual Obligations	**2,181**	**2,205**	**2,232**
Levies	**(753)**	**211**	**335**
Social Care Demographic	**4,649**	**2,821**	**2,642**
Grants, Legislative & Service Transfers	**(4,643)**	**4**	**0**
Loss of Income	**0**	**(350)**	**0**
Treasury Management	**(798)**	**500**	**0**
Other	**10,212**	**2,778**	**1,904**
Total Budget Pressures	**15,321**	**11,375**	**10,199**
Approved Budget Proposals			
Income	**(6,122)**	**2,418**	**745**
Efficiencies & Policy Choice	**(3,933)**	**(1,010)**	**(1,000)**
Total Approved Budget Proposals	**(10,055)**	**1,408**	**(255)**
Net Budget	**175,203**	**187,986**	**197,930**

Budget Forecasts	2020/21 £000's	2021/22 £000's	2022/23 £000's
Funding:			
Council Tax	**(103,990)**	**(109,221)**	**(114,715)**
Council Tax Prior Year Collection Fund (Surplus)/Deficit	**(1,216)**	**0**	**0**
Business Rates: Local Share	**(150,195)**	**(153,758)**	**(156,833)**
Business Rates: Tariff Payment	**96,011**	**98,845**	**101,177**
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot, Transitional Protection	**(11,347)**	**(9,341)**	**(7,890)**
Fairer Funding Assumptions		**500**	**1,000**
Funding	**(170,737)**	**(172,975)**	**(177,261)**
Movements in Reserves:			
Cont. from Budget Support Reserve	(4,466)		
Movements to/(from) Reserves	**(4,466)**		**0**
Cumulative Revised Budget Gap	**0**	**15,011**	**20,669**
Annual Revised Budget Gap	**0**	**15,011**	**5,658**

6 ROBUSTNESS, RISKS & RESERVES

6.1 Robustness and Risks

6.1.1. 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.

6.1.2. 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.

6.1.3. 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.

6.1.4. 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)

6.1.5. In reviewing the robustness of the Council's budget proposals use has been made of some key Cipfa publications around good financial management, prudential property investment and financial resilience. A key concern for the Council continues to be its low level of reserves.

6.2 Reserves

6.2.1. In August 2019, a new reserves policy was developed which set out the methodology for the creation, classification, review and approval process for the use of reserves to enable a more corporate approach to be taken, ensuring reserves are aligned to the Council's priorities over the medium term.

6.2.2. Under the Local Government Act 2003, the Corporate Director of Finance and Systems is required to prepare a report, for use when the Council is deciding its annual budget and council tax, on the robustness of the budget and the adequacy of the Council's reserves. It is for this reason that it is recommended that this Reserves Policy is reviewed on a bi-annual basis as part of the draft and final budget process and supplemented with regular review as part of the monitoring and financial closedown process. This will ensure the judgements on the adequacy of reserves are informed and remain appropriate particularly in relation to the potential impact of new risks and financial challenges faced by the Council. The key features of the revised policy are set out below.

6.3 Classification

6.3.1. For ease of management, reserves have been grouped into six categories as follows:-

- **Budget Resilience and Smoothing Reserves -** earmarked reserves linked to the financial resilience of the Council, for example being able to respond to unexpected demand pressures
- **Strategic Priority Reserves** - earmarked reserves linked to the Council's priorities over the medium term financial plan
- **Corporate Reserves** - statutory and ring fenced reserves
- **Reserves Linked to Service Area Priorities** - earmarked reserves linked to the Council's transformational change and service area priorities
- **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. These will not be considered as part of the Reserves Policy.
- **Schools Reserves -** represent the carry forward balances of individual school surpluses and deficits along with the accumulated balance of DSG grant. Individual school balances will not be considered as part of the Reserves Policy.

6.4. Balances

6.4.1. The Council usable reserves at 31st March 2019 stood at £72.34m, of which £49.79m relates to Earmarked revenue reserves as shown below, along with their projected usage over 3 years including the current financial year.

Table 9 : *Usable Reserves*	Opening Balance 1/4/19 £m	Est Balance 1/4/2020 £m	Est Balance 1/4/2021 £m	Est Balance 1/4/2022 £m
Budget Resilience and Smoothing	25.32	21.93	14.89	14.75
Strategic Priority	7.55	5.88	5.55	4.94
Corporate	2.52	0.34	0.71	0.71
General Reserve	7.00	7.00	7.00	7.00
Service Area Priorities	7.40	0.77	0.28	0.00
Earmarked Reserves	**49.79**	**35.92**	**28.43**	**27.40**
Capital Related Reserves	11.99	11.26	8.04	5.90
School Related Reserves	10.56	10.56	10.56	10.56
Total Usable Reserves	**72.34**	**57.74**	**47.03**	**43.86**

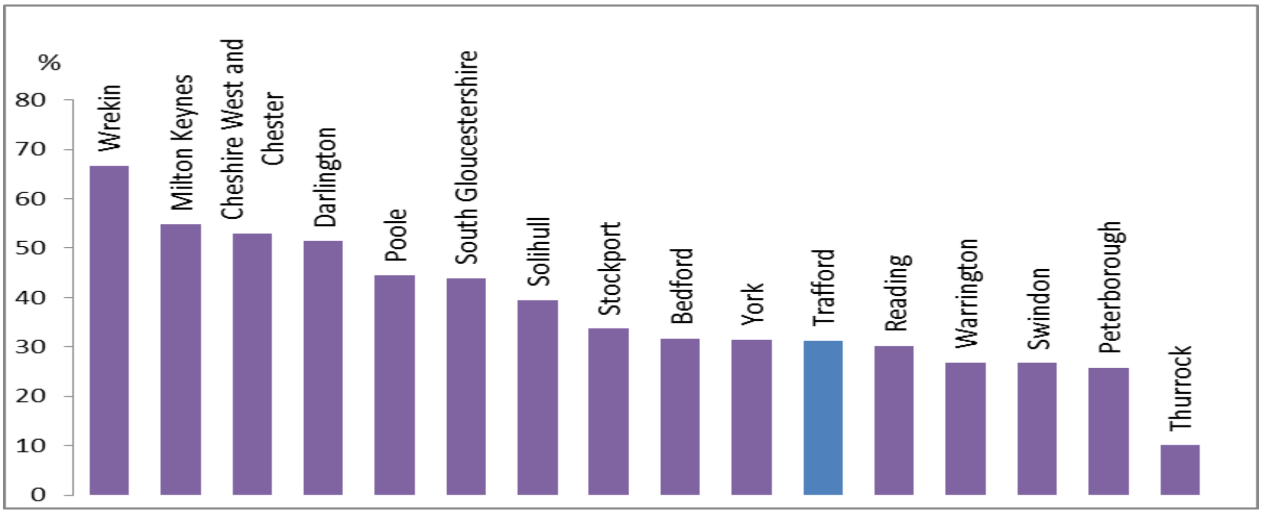
6.4.2. The Council's overall budget plans include for a total estimated drawdown from reserves of £10.71m, of which £3.22m is from capital related reserves required to support the capital programme. This leaves £7.49m of planned use of other earmarked reserves of which the significant items are as follows:-

- **Budget Support Reserve £4.5m** – required to balance the 2020/21 budget plans, of which £3.8m is supporting the Children's invest to save measures.

- **Business Rate Risk Reserve £0.6m** – to offset the decline in business rate funding predicted in 2020/21 due to erosion of the rateable value caused by temporary and permanent deletions from the rating list.

- **Bus Reform Reserve £1.5m** – this is required to cover the Council's potential contribution to the costs of bus reform in Greater Manchester pending the outcome of consultation.

6.4.3. In respect of the recently published Financial Resilience Index (FRI) by Cipfa the Council's reserve levels as a percentage of net revenue expenditure are deemed a high risk due to their relatively low level compared to statistical neighbours, therefore priority is to replenish reserves when the opportunity arises. In terms of the rate of use of reserves the FRI shows the Council to be low risk due to the level of contributions to reserves in recent years.



6.4.4. The balance and proposed commitments against each reserve are shown in detail in Annex F & G and the following paragraphs summarise the salient features of the main reserves.

- **Budget Resilience and Smoothing - Budget Support Reserve**

This reserve was established in 2015/16 to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term. Each year the Council faces unavoidable base budget pressures relating to pay, general inflation and demographic growth of which is offset by an assumed level of growth in Council Tax, leaving a net budget pressure. It is recommended as a minimum that the budget support reserve be maintained at a level of 50% of the net pressure.

Given the use of reserve in 2020/21 of £4.5m this one-off amount compounds the budget gap in 2021/22; therefore it is proposed to rationalise and review existing reserves so that the current policy of maintaining the level at 50% of the net budget gap, i.e. £7.5m can be achieved by:-

- Review of Airport Dividend Reserve (£2.7m released – see below)
- Review Business Rate Risk Reserve (£2.0m released – see below)
- Expected refund from the Waste Authority which is expected in 2019/20, which in part will be ring-fenced to support the Council's potential contribution for bus reform in 2020/21, leaving £1.2m available.

Including the adjustments above the estimated balance on the reserve increases to £8.8m at 31/3/20. Of this £4.5m will be applied to support the budget in 2020/21 leaving a balance of £4.3m, a shortfall £3.2m on the required target. Further work will be undertaken over the next couple of months to take account of any budget outturn savings and also include a full review of service area priority reserves.

- **Budget Resilience and Smoothing - Manchester Airport Dividend Reserve**

This is a reserve set aside in the event of an economic downturn or other event which affects the performance of the Airport and future dividends. Whilst the current policy states an amount equivalent to 50% of the usual level of annual dividend is set aside. In recent years, the size of annual dividend received has exceeded the budgeted level (in 19/20 by £1.3m). Given this headroom it would seem prudent to reduce the reserve to 10% of the estimated annual dividend, i.e. £550k based on the 2020/21 budget. This would release £2.7m from the reserve to the Budget Support Reserve.

- **Budget Resilience - Business Rate Risk Reserve**

This reserve was established in 2017/18 to hold the surplus funds generated from the Business Rates Growth Pilot and amounts redistributed from the GMCA. It was designed to cover volatility in the fluctuation of business rates and provide a cushion when the business rates system is reset. The balance at the end of 2019/20 is expected to stand at £7.201m and following a planned application of £642k in 2020/21 to support a decline in rateable values that has occurred in 2019/20, a balance of £6.558m is forecast at the end of 2020/21. This balance was held to offset the impact of the planned business rate reset but given MHCLG are planning a transitional protection scheme it is expected the full balance will not be required. It is recommended that £2m be transferred to Budget Support Reserve, leaving £4.5m in the event the transitional protection scheme is not as beneficial as assumed.

- **Strategic Priority - Strategic 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 will accumulate a sufficient balance over a period of time to absorb these risks. The level of this reserve will be reviewed annually to reflect the balance of risk on the investment portfolio. It is anticipated to stand at £3.1m by the end of 2021/2022.

- **Strategic Priority - Transformation and Transformation Match Funding**

Monies allocated from Greater Manchester Health and Social Care Partnership for the transforming of health and social care services. This money can only be used on the activities that were laid out in the Transformation programme and some of this money will be allocated to the CCG for their share of programme costs.

- **Strategic Priority - Leisure Centre Refurbishment**

This reserve was created to absorb the risks associated with the Council's leisure centre redevelopment plans. The potential risks include such items as, underwriting the reduction in operational income during the rebuilding phase, variations in build costs, and changes to assumptions on interest and inflation rates.

- **Strategic Priority - Children's Action Fund**

A new reserve of £1.5m was established in 2019/20 for investment in Children's Services following the recent Ofsted inspection. It is anticipated that this will be drawn down during 2019/20.

- **Corporate Reserves - General Reserve**

The Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure. In February 2019, Council agreed to set the minimum level of the General Fund Reserve at £7.00m as recommended by the Corporate Director of Finance and Systems.

6.5. Reserves Linked to Service Area Priorities

6.5.1. The rationale for these reserves is to provide funding to deliver Service Area priorities outside of the MTFP which are largely one off in nature or the timing of delivery cannot be determined accurately.

6.5.2. The revised Reverses Policy clarifies that the commitment to create, review and spend these reserves will need to be supported by Corporate Leadership Team as and when required throughout the year in order to confirm that they remain in line with the Council's broad strategic priorities. As such, details of these reserves are now included within the regular budget monitoring cycles throughout the year. Details of each reserve balance and commitment within this category is shown in Annex G. As referred to above a full review of these balances and commitments will be undertaken with a view to replenishing the Budget Support Reserve.

6.6. GENERAL RESERVE

6.6.1. General Reserve: the Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure. In February 2019 Council agreed to set the minimum level of the General Fund Reserve at £7.00m as recommended by the Corporate Director of Finance and Systems. It is recommended for 2020/21 that this level be maintained at £7.0m with some of the significant reasoning behind this decision set out below:-

- The level of gross income receivable from the Asset Investment Strategy will exceed £17m in 2020/21 and whilst full due diligence has been undertaken for each investment there is still a risk to this income stream. A specific earmarked investment strategy risk reserve is being built up and is estimated to stand at £1.3m at the end of 2019/20. Until this reserve gets to a meaningful level, an allowance included in the general reserve in 2019/20 will be maintained at current levels.

- Adults services is currently facing the potential for backdated client costs as a result of ordinary residence claims, whereby the care costs of care are met by the authority where the client generally resides. The cases can be complex and drawn out and costs hard to predict. A new allowance has been included in the general reserve as a precaution to cover claims exceeding the level of contingency held within the Adults Services budget.

- Council Tax risk – A separate Collection Fund reserve holds previous years' accumulated surpluses from the Council Tax Collection Fund. This reserve was previously used to manage the risk of in year fluctuations of the Council Tax budget, however a review of our legislative requirements attached to this reserve has required the full balance to be released to the general fund. An allowance has therefore been made in the general reserve to replace this Council Tax Collection Fund reserve should we experience a significant in year shortfall in Council Tax income.

- The Council is still including for some significant levels of income in 2020/21 for business rates and a contingency was included in the General Reserve to cover the scenario if rates income drops significantly which would also supplement the Business Rate Risk Reserve. The level of contingency held within the general reserves has been maintained at similar levels to 2019/20.

Table 10: Advised minimum level of General Reserve	**2020/21 £m**
Tax & Treasury Management	0.05
Pay & inflation	1.13
Fees and Charges	0.19
Emergency & Disaster Recovery	1.07
Efficiencies	1.74
Demand led budgets	2.00
Other Pressures	0.96
Funding Risk	3.47
TOTAL	**10.61**
Risk reduction of 34%	-3.61
Advisory level of minimum reserve	**7.00**

6.7. Summary

6.7.1. 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.

6.7.2. Members' attention is drawn to the statement by the Corporate Director of Finance and Systems attached at Annex I, which should be taken into account before approving the budget together with the comments made in paragraphs below.

6.7.3. In determining the budget for the forthcoming year there are important decisions about the use of reserves, and given the uncertainty surrounding 2021/22, reserve levels have been reviewed, however further work around Service Area Priority Reserves will be undertaken to provide a cushion in 2021/22.

6.7.4. The planned use of £4.5m of general reserves to support the budget is a one-off source of funding and therefore the budget gap in 2021/22 increases by this amount.

7 INVESTMENT STRATEGY

7.1. Background

7.1.1. During 2018/19 and 2019/20 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.

7.1.2. The Asset Investment Strategy is currently under review to reflect market conditions and carbon neutrality aspirations and will be brought back to Executive in March.

7.1.3. Based on the latest monitoring position £355m has been committed from the budget of £400m. It is proposed to increase this to £500m, supported by prudential borrowing, to support the approach with specific focus on supporting direct investment and regeneration schemes within the Borough; with any decision to utilise the new borrowing to be agreed with the Executive or the Investment Management Board, as appropriate, on a case by case basis.

7.1.4. The Strategy is operated within the latest MHCLG and CIPFA prudential 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.

7.2. Coverage

7.2.1. 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)**

8 SCHOOLS FUNDING & BUDGETS 2020/21

8.1. Background

8.1.1. Schools are funded from a ring-fenced grant called the Dedicated Schools Grant (DSG) which cannot be used for any other Council function. Schools operate within their own fund with any under or over spend being taken forward into future years. There are four blocks within the DSG:-

- **Schools Block (SB)** – funds schools' budgets - this includes £75m for academies.
- **Central Schools Services Block (CSSB)** – reflects the ongoing local authority role and is reducing year by year.
- **High Needs Block (HNB**) – which primarily supports Special Educational Needs (SEN) expenditure. This includes £13m to fund Trafford Special Schools.
- **Early Years Block (EYB)** - which funds educational provision for 2 to 5 year olds in both Schools and Private, Voluntary and Independent (PVI) settings.

8.1.2. DSG allocations for 2020/21 were announced in December and whilst a further revision will be made to reflect a high needs deduction made by the Education Skills and Funding Agency (ESFA)) and an import/export adjustment, at this stage they indicate a £11.956m increase on 2019/20.

Table 11 DSG Allocations	2019/20 (£m)	2020/21 (£m)	Difference (£m)
Schools Block	162.829	171.944	9.115
Central School Services Block	1.546	1.513	(0.033)
High Needs Block	26.723	29.278	2.555
Early Years Block	17.506	17.825	0.319
Total	**208.604**	**220.560**	**11.956**

8.1.3. The increase in the Schools Block is due to:-

- Pupil number increases of 106 in the primary sector and 389 in the secondary sector;
- A per pupil increase for each school in 2020/21 in line with inflation (1.84%) through the National Funding Formula (NFF) compared to the 2019/20 baseline;
- All of the key factors in the NFF have been increased by 4%; and
- The minimum funding per pupil levels have increased to £3,750 for all primary schools and £5,000 for all secondary schools.

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

- A higher funding floor set at 8%;
- A higher limit on formula gains set at 17%; and
- Increased funding through the remaining factors.

8.1.5. The increase in the Early Years Block is due to the hourly rate for 2 year olds and 3 & 4 year olds increasing by 8p.

8.2. Summary Position 2019/20

8.2.1. The latest monitoring position reflected in the period 8 budget monitor indicated a £29k over spend in 2019/20.

Table 12 P8 monitoring	2019/20 Budget (£m)	2019/20 Expected Outturn (£m)	Difference (£m)
Schools Block	161.964	161.986	0.022
Central School Services Block	1.546	1.553	0.007
High Needs Block	27.588	27.588	0
Early Years Block	17.506	17.506	0
Total	**208.604**	**208.633**	**0.029**

8.2.2. The level of central DSG reserve at 1 April 2019 was £2.305m and whilst some is ring-fenced to support specific expenditure, the balance was to support the investment/pressures in the High Needs budget in future years.

Table 13 Analysis of reserves	Reserves (£m)
Reserve as at 31st March 2019	2.305
Growth Fund	(0.097)
De-delegation	(0.396)
Early Years	(0.300)
Remaining Reserve (for High Needs Block)	**1.512**

8.3. High Needs Block (HNB)

8.3.1. There have been significant pressures within the HNB in recent years due to:-

- Financial pressures in the Schools block;

- Numbers of Education and Health Care Plans (EHCPs) have continued to increase;
- The needs of many pupils are becoming more complex;
- The requirement to fund 0-25 years from 0-19 years was not funded;
- Policy changes to accountability, curriculum and testing have made inclusion in mainstream increasingly difficult for many learners; and
- LAs are required to make provision for all pupils permanently excluded from school but have little power to reduce exclusions.

8.3.2. The main budget assumptions and their financial impact over the next three year period indicate expenditure pressures of £3m:-

- 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 (£1.15m);
- Continued increase in the level of SEN delegation payments to schools (1.13m);
- Increased costs of home tuition for those pupils unable to attend school (£0.1m);
- Increase cost of out of borough placements caused by increasing complexity (£0.45m);
- Inflationary cost increases on out of borough placements, pay, running costs of the additional small specialist class and other small adjustments (£0.5m); and
- 2% inflation has been assumed and added to the grant allocation for future years.

8.3.3. Trafford is part of several lobbying groups both nationally and regionally who have been lobbying for additional funding into the HNB. This has been successful in securing additional funding which has helped address the funding gap that had originally been forecast and is shown in the table below.

Table 14	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Required HNB budget	28.470	29.556	30.646
Provisional HNB grant	29.278	29.864	30.461
(Surplus)/Deficit	**(0.808)**	**(0.308)**	**0.185**

8.3.4. The increase in Trafford's grant allocation in 2020/21 is sufficient to cover the increase in expenditure pressures in 2020/21 and allow headroom which will have a positive impact on the reserve as shown below and can be earmarked to finance measures which will reduce the pressure on the high needs block in future years.

Table 15	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Usable reserves brought forward	1.512	1.543	2.351	2.659
Movements in year	0.031	0.808	0.308	(0.185)
Useable reserves remaining	**1.543**	**2.351**	**2.659**	**2.473**

8.4. Budget allocations 2020/21

8.4.1. A more detailed analysis of the budget allocations for 2020/21 is provided in the table below:-

Table 16 DSG Allocations & Budget 2020/21	(£m) budget	(£m) allocation
Schools Block Budget		
Allocated to schools	171.944	171.944
High Needs Block Budget		
Special Schools	12.908	
Sensory Impairment	1.200	
Speech Therapy	0.213	
SEN	5.701	
Out of Borough	6.593	
Notional SEN Contingency	0.427	
Behaviour & Attendance	0.336	
PRU's	1.092	
Contribution to DSG Reserve	0.808	29.278
Early Years Block Budget	17.825	17.825
Schools Central Services	1.513	1.513
Total	**219.752**	**220.560**

8.5. Future Changes – National Funding Formula (NFF)

8.5.1. A National Funding Formula (NFF) was introduced in 2018/19 the aim of which was to create a level playing field by creating a national formula with a single set of values for each of the factors relating to pupil and school characteristics. The intention was that when fully implemented, there would no longer be different sums of money received by schools with similar pupil profiles. However this hasn't materialised as every school's starting point is very different as a result of historic individual local formulae decided by local authorities (LAs) with floors and protections in place.

8.5.2. The introduction of a hard formula was to take place in 2020/21 after 2 years of a soft formula, however this has been delayed by a further year. The soft formula involves the Education Skills and Funding Agency (ESFA) applying the national formula values to individual schools' data and aggregating the allocations at LA level. They then add funding for historic spending factors which currently sit outside the NFF. LAs receive the total funding as a Schools Block allocation and distribute it between schools using a local formula.

Academy General Annual Grant (GAG) is also based on the local formula. Trafford Schools' Funding Forum opted to mirror the NFF as a local formula in 2018/19.

8.5.3. The hard formula means that the ESFA will calculate and distribute allocations directly to all schools and academies using the NFF. In the government's recent spending review it was announced that there is still the intention to move to a hard formula.

8.5.4. However, there are still some big challenges to overcome before this could be implemented, for example the LA's co-ordinating role, historic spend factors and transitional arrangements.

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 2020/21 Council Tax Requirement will be as follows:

Calculation of Council Tax Requirement & Relevant Basic Amount of Council Tax 2020/21	£
Service Budget	
Gross Expenditure	
Service expenditure	478,730,975
Gross Income	
Fees, charges and specific grants	(303,527,627)
Service Area Net Budget	**175,203,348**
Financing Budget	
Retained Business Rates Baseline	(54,184,267)
Business Rates (Growth & S31 Grants)	(10,704,514)
Business Rates Prior Years accumulated (Surplus)/Deficit	4,915,710
Contribution from Business Rate Deficit Reserve	(4,915,710)
Contribution from Business Rate Risk Reserve	(642,817)
Distribution of Collection Fund surplus (Council Tax)	(1,215,991)
Application of Budget Support Reserve (BSR)	(4,466,000)
Financing Net Budget	**(71,213,589)**
Council Tax Requirement	**103,989,759**
Council Tax Base in Band D's	**77,386**
Relevant Basic Amount of Council Tax	**£1,343.78**

9.1.3 The Corporate Director of Finance and Systems in accordance with her delegated powers approved the 2020/21 Trafford Council Tax Base (number of equivalent Band D properties in the borough) on 18 January 2020 at 77,386, which is a growth of 387 Band D equivalents on 2019/20. The 2020/21 Council Tax Base for each of the four Parish Councils was also approved as: Partington 1,573, Dunham Massey 230, Warburton 166 and Carrington 125.

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 2020/21 a figure of 4% has been set, which is a combination of the core principle of 2% and the 'adult social care precept' of 2%.

9.2.2 As highlighted elsewhere in this report, it is proposed to raise the level of council tax in 2020/21 by 3.99%:

- 1.99% general increase in the 'relevant basic amount', and
- 2.0% for the 'Adult Social Care' precept.

9.2.3 The calculation of the percentage change in "Relevant Basic Amount of Council Tax", for Trafford Services is shown below :

	2019/20	2020/21
Council Tax Base	76,999	77,386
Council Tax Requirement with Levies (£)	99,499,648	103,989,759
Basic Amount of Council Tax (£) (excluding Social Care Precept)	1,200.20	1,225.92
Social Care Precept	92.02	117.86
Relevant Basic Amount of Council Tax	1,292.22	1,343.78
% increase in Relevant Basic Amount of Council Tax	**3.99%**	**3.99%**

9.2.4 It is proposed to increase the 'relevant basic amount' of Council Tax by 3.99%, which is within the 4% figure set by Government in 2020/21 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.

9.2.5 Of the two major precepting bodies, the Mayoral Police & Crime Commissioner is recommending a £10.00 increase in their Band D precept and the Mayoral General Precept (including Fire Services) is proposing an increase of £14.00 on their Band D precept.

9.2.6 Partington Town Council, at its meeting on 6 January 2020, elected to increase the level of Band D Council Tax by £9.54 from £42.50 in 2019/20 to £52.04 in 2020/21. Carrington Parish Council, at its meeting on 17 December 2019, elected to set a Band D Council Tax of £30.00 in 2020/21. However, Dunham Massey and Warburton Parish Councils have both agreed not to set a Precept in 2020/21.

9.3 Council Tax Levels and Bandings

9.3.1 The overall Precepts and Council Tax levels for 2020/21 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')	103,989,759	1,343.78	3.99%
Mayoral Police and Crime Commissioner (see note)	16,119,504	208.30	£10.00/ 5.04%
Mayoral General Precept (including Fire Services) (see note)	7,038,257	90.95	£14.00/ 18.19%
Total (excluding Parishes)	**127,147,520**	**1,643.03**	**4.82%**
Partington Precept	81,859	52.04	22.45%
Total for Partington		**1,695.07**	**5.29%**
Carrington Precept	3,750	30.00	N/A
Total for Carrington		**1,673.03**	**6.73%**

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 14th February 2020.

9.3.3 The council tax for 2020/21, 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 £	Council Tax for Carrington £
A	Up to £40,000	1,095.34	1,130.03	1,115.34
B	Over £40,000 and up to £52,000	1,277.90	1,318.38	1,301.23
C	Over £52,000 and up to £68,000	1,460.46	1,506.72	1,487.13
D	Over £68,000 and up to £88,000	1,643.03	1,695.07	1,673.03
E	Over £88,000 and up to £120,000	2,008.14	2,071.74	2,044.81
F	Over £120,000 and up to £160,000	2,373.26	2,448.43	2,416.59
G	Over £160,000 and up to £320,000	2,738.37	2,825.10	2,788.37
H	Over £320,000	3,286.06	3,390.14	3,346.06

Annex A

BASE BUDGET ASSUMPTIONS

Base Budget Assumptions	2020/21 £m	2021/22 £m	2022/23 £m
Service Expenditure			
Pay: Inflation	2.0%	2.0%	2.0%
	£1.39	£1.37	£1.38
Pay: Living Wage	£2.16	£1.57	£1.50
General Inflation: Prices *	0.0%	2.0%	2.0%
	£0.00	£0.20	£0.21
Contractual Obligations: Inflation Specific e.g. energy	£2.18	£2.21	£2.23
Levies: Waste (GMWDA) Levy Increase	£(0.75)	£0.21	£0.34
Demographics/Care Costs: Children	£1.25	£0.87	£0.64
Adults	£3.40	£1.95	£2.00
Treasury Management			
Investment Rates	0.97%	1.20%	1.45%
Debt Rates (based on 25 years)	3.48%	3.78%	4.05%
Funding			
Council Tax rate increase (Adult Social Care)	2.00%	2.00%	2.00%
Council Tax rate increase (Relevant Basic Amount)	1.99%	1.99%	1.99%
Council Tax base increase	0.50%	1.00%	1.00%
Change in Baseline Funding Level :-			
Baseline Funding (Core) %	1.63%	2.00%	2.00%
Baseline Funding (Core) £m	£0.58	£0.73	£0.74
Baseline Funding (RSG) %	1.63%	0.00%	0.00%
Baseline Funding (RSG) £m	£0.09	£0.00	£0.00
Baseline Funding (PH) %	2.63%	0.00%	0.00%
Baseline Funding (PH) £m	£0.32	£0.00	£0.00

* - General Inflation in 20/21was assumed at 2%, however will be absorbed as part of proposed budget saving.

Annex B

Budget Movements & Proposals: Draft Budget Oct 19 to Final Feb 20

MOVEMENTS & PROPOSALS	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
REVISED BUDGET GAP AT DRAFT (Oct19)	**720**	**9,906**	**5,351**	**15,977**
Changes in cost of Microsoft Office 365 and Additional Security	(97)	287	0	190
Living Wage	639	48	0	687
Removal of Traded Services Subsidy (re-classed as Income target)	483	120	0	603
Loss of Income (Schools Insurance)	180	0	0	180
Revenue costs ICT low code solution (cap bid)	0	300	0	300
Waste Levy	(979)	(292)	(165)	(1,436)
Home to School Transport	62	0	0	62
Children's Services Salary Costs (P6)	171	0	0	171
Children's Services Invest to Save	2,899	479	(205)	3,173
Demographic Pressure Children reduced re staff investment	(300)	0	0	(300)
Increase in General Contingency (re Children Demographic)	750	750	750	2,250
Demographic Pressure Adults	1,200	0	0	1,200
Pay and Pension All Service Areas	(42)	130	130	218
Loss of car park income at Regent Rd and Brown St	0	(236)	320	84
Reduction in New Home Bonus (provisional settlement)	412	0	0	412
Fair Price of Care	200	450	500	1,150
Change in Treasury Mgt Assumptions	(200)	0	0	(200)
Other changes in Budget Assumptions	206	49	6	261
CHANGES TO BUDGET ASSUMPTIONS	**5,584**	**2,085**	**1,336**	**9,005**
Reduce Council Tax Taxbase to 0.50% from 0.75%	255	13	15	283
Impact of Fair Funding Review on Baseline Funding		500	500	1,000
Adjustment in Bus Rates Prov Settlement	(267)	267		0
Reduction Bus Rates in RV (part of Robustness exercise)	643	(643)		0
One off Contribution from Bus Rates Risk Reserve (to meet above)	(643)	643		0
Council Tax surplus previous year's final adjustment	(29)	29		0
Business Rates indexation adjustments to Baseline future years		179	1	180
CHANGES TO FUNDING (NON POLICY CHOICE)	**(41)**	**988**	**516**	**1,463**

MOVEMENTS & PROPOSALS	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Contribution from Budget Support Reserves	(3,866)	3,866		0
CHANGES TO FUNDING (POLICY CHOICE)	**(3,866)**	**3,866**	**0**	**0**
Reversal of proposal to extend the hours of operation of on-street parking	30			30
Environmental Health income saving – remove £5k from 21/22		5		5
Increase in borrowing cost Investment Property	111			111
New Investment Strategy Debt Arrangement	(1,100)	(500)	(200)	(1,800)
Traded Services offset pay/contract inflation with income (Catering and Cleaning)	(483)	(120)	(120)	(723)
Traded Services offset pay/contract inflation with income (non-Catering and Cleaning	0	(219)	(225)	(444)
Assumptions on Treasury Mgt Interest was income saving	200			200
CHANGES TO INCOME PROPOSALS	**(1,242)**	**(834)**	**(545)**	**(2,621)**
Return on Advanced Pension Payment reduced 1.2% to 1% and savings on actuals	32			32
Children's Placements	(1,200)	(1,000)	(1,000)	(3,200)
10% Reduction in running costs Central Services adjustment	13			13
CHANGES TO SAVINGS PROPOSALS	**(1,155)**	**(1,000)**	**(1,000)**	**(3,155)**
TOTAL CHANGES TO INCOME AND SAVINGS PROPOSALS	**(2,397)**	**(1,834)**	**(1,545)**	**(5,776)**
REVISED BUDGET GAP (Feb 20)	**0**	**15,011**	**5,658**	**20,669**

Business Rates Retention GM Pilot **Annex C**

Business Rates Benefit Calculation 2019/2020 to 2022/2023

	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Gross Rates Payable	184,114,380	186,028,108	191,613,948	195,363,731
Transitional Adjustments and Mandatory & Discretionary Reliefs	(18,530,213)	(19,231,360)	(19,278,834)	(19,664,411)
NET RATES PAYABLE	**165,584,167**	**166,796,748**	**172,335,113**	**175,699,321**
Accounting Adjustments (Appeals & BDP) & Cost of Collection	(10,028,942)	(10,742,245)	(13,277,073)	(13,538,091)
NNDR Income	**155,555,225**	**156,054,503**	**159,058,040**	**162,161,230**
Local Share	153,999,672	154,493,958	157,467,460	160,539,618
Tariff	(94,589,988)	(96,010,529)	(98,844,824)	(101,177,043)
Retained Business Rates	**59,409,684**	**58,483,429**	**58,622,636**	**59,362,575**
Baseline Funding Level (BFL)	**53,196,876**	**54,184,267**	**54,912,630**	**55,655,560**
Growth	6,212,808	4,299,161	3,710,006	3,707,015
SAICA Renewable Energy	81,648	82,944	84,947	86,646
Section 31 Compensation Grants	10,501,619	10,832,326	10,392,124	10,675,956
National Levy Rebate	549,761	0		
Growth/(Decline) to Baseline	**17,345,836**	**15,214,431**	**14,187,077**	**14,469,616**
GM Pilot 'No Detriment' Over Payment	(10,470,846)	(9,019,836)	(8,789,346)	(8,932,590)
GM Pilot 'No Detriment' Over Payment Rebate	5,235,423	4,509,918	4,394,673	4,466,295
Business Rates Benefit over BFL	**12,110,413**	**10,704,513**	**9,792,404**	**10,003,321**
Release of Prior Year Surplus/ (Collection of Deficit)	1,181,215	(4,915,710)		
Contribution from reserves		5,558,527		
Business Rates Growth Reset			(9,707,457)	(9,916,675)
Business Rates Growth	**13,291,628**	**11,347,330**	**84,947**	**86,646**

Total Benefit from Business Rates

Table 5: Benefit from Business Rates	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
Core Baseline Funding	35,834	36,418	37,147	37,890
Revenue Support Grant	5,299	5,385	5,385	5,385
Public Health Grant	12,064	12,381	12,381	12,381
Total Baseline Funding Level (BFL)	**53,197**	**54,184**	**54,913**	**55,656**
Business Rates Growth (detail above)	13,292	11,347	85	87

Assumptions on Transitional Protection			8,256	6,804
Assumption on Growth Post Reset			1,000	1,000
Business Rates Benefit over BFL	**13,292**	**11,347**	**9,341**	**7,891**
Total Benefit from Business Rates	**66,489**	**65,532**	**64,253**	**63,546**
Yearly Change				
Change in BFL		987	728	743
Change in Business Rates Benefit		(1,944)	(2,006)	(1,450)
Yearly Change		**(957)**	**(1,278)**	**(707)**

Total reduction in Business Rates -£957k - £1,278k - £707k= £2,942k

Annex D

Income & Savings Proposals 2020/23

Theme/Title	Service Area	Status(New/Existing)	2020/21 £000's	2021/22 £000's	2022/23 £000's	Description of Saving
Fundamentally Reshaping Our Services						
Children's Placements	Children's	New	(1,200)	(1,000)	(1,000)	Investment in early intervention estimated to reduce the forecast demographic growth and therefore placement costs
Person Centred (Reshaping)	Adults	New	(301)			Continuation and roll out of the let's talk and right care for you approach to promote independence and support better outcomes
Liberty Protection Safeguards (LPS)/Portal (Reshaping)	Adults	New	(200)			The implementation of the LPS scheme and a whole system portal which will drive through efficiencies and costs savings.
Sub-Total			**(1,701)**	**(1,000)**	**(1,000)**	
Be More Commercial						
New Investment Income	Place	New	(5,020)	2,824	1,090	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.
Car Parking	Place	New	(114)			Car Parking - additional enforcement and reduced cashless parking transaction contract costs
Environmental Health - Increase Income from HMO Licences	Place	Existing	(5)			Income already being received above current budget – e.g. HMO licences, (costs recoverable from third parties).

Early Repayment of Suppliers Discount	CW	Existing	(10)	(10)	0	Review of procedures around invoice payments to maximise potential of supplier discounts
Traded Services - 5 % price rises planned 19/20 and 20/21 (catering and cleaning)	Central	New	(483)	(339)	(345)	Smoothing of price levels to fully recover National Living Wage costs
New Strategic Investment	CW	Existing		(67)		Loan interest receivable from strategic investments
Sub-Total			**(5,632)**	**2,408**	**745**	
Delivering More of Our Own Services						
LD supported living	Adults	New	(122)			To maximise the current service capacity within the in-house Supported Living Service.
Legal advocacy - in house	Central	New	(50)			Efficiency saving from reduced use of external providers
Increase in income from our strategic investments	CW	Existing	(500)			Additional dividend from our strategic investments
Sub-Total			**(672)**	**0**	**0**	
Health and Social Care Integration						
Homecare Pilot	Adults	New	(619)			A number of pilots which will trial new ways of working, supporting positive outcomes for service users with financial benefits for the Council
Market Management	Adults	New	(68)			Pursuing alternative purchasing arrangements with providers.
Review of Children's Placements	Children's	New	(315)			Pursuing options that will allow Children currently placed outside of the borough in high cost external placements to return to appropriate placement/packages of support in Trafford

Sub-Total			**(1,002)**	**0**	**0**	
Other Corporate Efficiencies							
Insurance premium saving	CW	New	(50)			A reduction in the cost of council insurance premiums
Exchequer billing costs - move to online	Central	Existing	(80)			Reduction in printing, stationery and postage costs already being achieved
Review of grounds maintenance	Place	New	(40)			Reduced grounds maintenance and promotion of wildflower areas
10% reduction in running costs	All	New	(237)			A reduction in non-contractual general running cost budgets
Advance Pension Payment	CW	Existing	(725)			A saving generated in pension contributions payable to GM Pension Fund as a result of paying contributions up-front
Voluntary Sector Grants - use of smoothing reserve in 2019/20 - Reversal	Central	Existing	100			Reversal of one-off use of reserves in 2019/20
Coroners Saving Toxicology Contract	CW	New	(16)			Contractual savings
Sub-Total			**(1,048)**	**0**	**0**	
Grand Total			**(10,055)**	**1,408**	**(255)**	

2020/21 Subjective Budget Analysis

	CHILDREN £000's	ADULTS £000's	PLACE £000's	GOV AND CS £000's	FINANCE & SYSTEMS £000's	PEOPLE & TRADED £000's	COUNCIL-WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
NET BUDGET Brought Forward	**36,081**	**60,526**	**34,862**	**7,840**	**7,483**	**3,205**	**19,940**		**169,937**
Budget Pressures :									
Pay	883	262	213	141	154	264	395		**2,312**
Living Wage	24	2,037	100	0	0	0	0		**2,161**
General Inflation	0	0	0	0	0	0	0		**0**
Contractual Inflation & Obligations	294	871	806	27	42	141	0		**2,181**
Levies	0	0	(479)	0	0	0	(274)		**(753)**
Demographics/ Care Costs/ Social Worker	1,249	3,400	0	0	0	0	0		**4,649**
Grants, Legislative & Service Transfers	0	(5,757)	0	0	0	0	1,114		**(4,643)**
Loss of Income	0	0	0	0	0	0	0		**0**
Treasury Management	0	0	0	0	0	0	(798)		**(798)**
Policy Choice Investment	0	0	0	0	0	0	0		**0**
Other	4,999	1,409	428	95	1,242	232	1,807		**10,212**
Total Budget Pressures	**7,449**	**2,222**	**1,068**	**263**	**1,438**	**637**	**2,244**		**15,321**
Budget Savings									
Income Generation	0	0	(119)	0	0	(483)	(5,520)		**(6,122)**
Savings Proposals Efficiencies & Policy Choice	(1,605)	(1,343)	(69)	10	(109)	(16)	(801)		**(3,933)**
Total Approved Budget Proposals	**(1,605)**	**(1,343)**	**(188)**	**10**	**(109)**	**(499)**	**(6,321)**		**(10,055)**
PROPOSED NET BUDGET	**41,925**	**61,405**	**35,742**	**8,113**	**8,812**	**3,343**	**15,863**	**0**	**175,203**

	CHILDREN £000's	ADULTS £000's	PLACE £000's	GOV AND CS £000's	FINANCE & SYSTEMS £000's	PEOPLE & TRADED £000's	COUNCIL-WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
Funding:									
Council Tax								(100,000)	**(100,000)**
Council Tax - 1.99% General Increase								(1,990)	**(1,990)**
Council Tax - 2% Adult Social Care Increase								(2,000)	**(2,000)**
C Tax Prior Year Collection Fund (Surplus)/Deficit								(1,216)	**(1,216)**
Business Rates: Local Share								(150,195)	**(150,195)**
Business Rates: Tariff Payment								96,011	**96,011**
Business Rates: Growth Assumptions, S31 Grants, GM Pilot								(11,347)	**(11,347)**
Funding Total								**(170,737)**	**(170,737)**
PROPOSED FUNDING								**(170,737)**	**(170,737)**
Additional Use of Reserves:									
Budget Support Reserve								(4,466)	**(4,466)**
Movement in Reserves Total								**(4,466)**	**(4,466)**
FUNDING FROM RESERVES								**(4,466)**	**(4,466)**
BUDGET GAP									**0**

Annex F

Details of Reserves by Category

CATEGORY	RESERVE NAME	BALANCE AT 31st MARCH 2019	TOTAL COMMITTED 19/20 to 21/22 £000	BALANCE AFTER COMMITMENT (UNDER)/ OVER £000	TOTAL TRANSFERS 19/20 to 21/22 £000	REVISED BALANCE £000
Budget Resilience	MAG Dividend	(3,283)	0	(3,283)	2,733	(550)
Budget Resilience	Budget Support	(5,484)	5,890	406	(4,733)	(4,327)
Budget Resilience	Bus Reform	0	0	0	0	0
Budget Resilience	Business Rate Growth Pilot Reserve (Trans to BR Risk)	(3,776)	0	(3,776)	3,776	0
Budget Resilience	Business Rate Risk Reserve	(5,000)	2,218	(2,782)	(1,776)	(4,558)
Budget Resilience	Insurance Reserve	(1,870)	0	(1,870)	0	(1,870)
Budget Resilience	Earmark Gen - Employment Rationalisation	(1,444)	0	(1,444)	444	(1,000)
Budget Resilience	Housing Benefit Overpayment Reserve	(427)	227	(200)	0	(200)
Budget Resilience	High Needs Support Reserve	(572)	104	(468)	468	0
Budget Resilience	Timperley Sports Club Synthetic Pitch	(63)	(45)	(108)	0	(108)
Budget Resilience	Earmark Gen - Legal Expenses	(178)	178	0	0	0
Budget Resilience	Earmark Gen - Local Search Litigation Costs Settlement	(100)	100	0	0	0
Budget Resilience	Earmark Gen - Civic vehicle reserve	(32)	32	0	0	0
Budget Resilience	Smoothing - Waste Levy	(1,075)	736	(339)	0	(339)
Budget Resilience	Smoothing - Winter Maintenance	(120)	0	(120)	0	(120)
Budget Resilience	Smoothing - Elections	(247)	247	0	0	0
Budget Resilience	Smoothing - Interest Rate	(1,291)	(282)	(1,573)	0	(1,573)
Budget Resilience	Exchequer Services Reserve	(185)	185	0	0	0
Budget Resilience	Members IT Reserve	(70)	70	0	0	0
Budget Resilience	EU Exit Funding Reserve	(105)	0	(105)	0	(105)
Sub-Total Budget Resilience		**(25,322)**	**9,660**	**(15,662)**	**912**	**(14,750)**
Strategic Priority	Investment Fund	0	0	0	0	0
Strategic Priority	Transformation Fund	(943)	943	0	0	0

CATEGORY	RESERVE NAME	BALANCE AT 31st MARCH 2019	TOTAL COMMITTED 19/20 to 21/22 £000	BALANCE AFTER COMMITMENT (UNDER)/ OVER £000	TOTAL TRANSFERS 19/20 to 21/22 £000	REVISED BALANCE £000
Strategic Priority	Transformation Fund Match Funding Reserve	(4,154)	4,154	0	0	0
Strategic Priority	Strategic Investment Fund Risk Reserve	(189)	(2,924)	(3,113)	0	(3,113)
Strategic Priority	Leisure Centres Refurbishment Reserve	(150)	(600)	(750)	(518)	(1,268)
Strategic Priority	Children's Action Fund Reserve	(1,500)	1,500	0	0	0
Strategic Priority	Major Projects Reserve Abortive costs and DSG Academy Trans	(609)	522	(87)	(468)	(555)
Sub-Total Strategic Priority		**(7,545)**	**3,595**	**(3,950)**	**(986)**	**(4,936)**
Corporate	NDR Deficit Reserve	(1,040)	1,041	1	0	1
Corporate	NDR Levy Reserve	(550)	550	0	0	0
Corporate	Star Procurement Earmarked Reserve	(711)	227	(484)	0	(484)
Corporate	Planning Income Reserve	(222)	0	(222)	0	(222)
Corporate	Prepaid Rev Grants Res (IFRS)	0	0	0	0	0
Corporate	General Reserve	(7,000)	0	(7,000)	0	(7,000)
Sub-Total Corporate		**(9,523)**	**1,818**	**(7,705)**	**0**	**(7,705)**
Service Area Priority	Earmark Gen - ICT Development	(299)	482	183	(183)	0
Service Area Priority	Economic Development	(844)	844	0	0	0
Service Area Priority	Earmark Gen - Libraries and Customer Services Reserve	(106)	106	0	0	0
Service Area Priority	Earmark Gen - Vol Sec Grants Reserve	(222)	148	(74)	74	0
Service Area Priority	Earmark Gen - Community Safety	(337)	337	0	0	0
Service Area Priority	Earmark Gen - LAA Performance Reward Grant	(115)	115	0	0	0
Service Area Priority	One Trafford Partnership Reserve	(2,106)	2,106	0	0	0
Service Area Priority	Sports Partnership Reserve	(145)	145	0	0	0
Service Area Priority	Earmarked Service C/fwd **CFW**	(764)	764	0	0	0
Service Area Priority	Earmarked Service C/fwd **PLACE**	(739)	739	0	0	0
Service Area Priority	Earmarked Service C/fwd **CENTRAL**	0	0	0	0	0
Service Area Priority	Earmarked Service C/fwd **G & CS**	(62)	62	0	0	0

CATEGORY	RESERVE NAME	BALANCE AT 31st MARCH 2019	TOTAL COMMITTED 19/20 to 21/22 £000	BALANCE AFTER COMMITMENT (UNDER)/ OVER £000	TOTAL TRANSFERS 19/20 to 21/22 £000	REVISED BALANCE £000
Service Area Priority	Earmarked Service C/fwd **F & S**	(669)	486	(183)	183	0
Service Area Priority	Earmarked Service C/fwd **P & TS**	(613)	613	0	0	0
Service Area Priority	Traded Services Reserve	(383)	383	0	0	0
Sub-Total Service Area Priority		**(7,404)**	**7,330**	**(74)**	**74**	**0**
SUB-TOTAL Earmarked Reserves		**(49,794)**	**22,403**	**(27,391)**	**0**	**(27,391)**
	Capital Related Reserves	(11,994)				
	School Related Reserves	(10,559)				
	SUB-TOTAL	**(22,553)**				
	TOTAL USABLE RESERVES	**(72,347)**				

ANNEX G

Service Area Priority Reserves Programme

Council Priority	Commitment Type	Directorate	Scheme Title	Plan £	2019/2020 £	2020/2021 £	2021/2022 £
Successful & Thriving Places	Contingency	Place	Masterplan and Feasibility to Support the Asset Investment Strategy	232,360	98,360	67,000	67,000
Successful & Thriving Places	Base Budget	Place	Commission Affordable Housing Needs Assessment (to support GMSF work) - use LDF(in reserves)	12,688	12,688	0	0
Successful & Thriving Places	Contractual	Place	Sale Moor and Hale Place Plan	47,357	47,357	0	0
Successful & Thriving Places	Contractual	Place	Trafford Wharfside Development Framework	20,000	20,000	0	0
Successful & Thriving Places	Contractual	Place	Partington Masterplan	20,000	20,000	0	0
Successful & Thriving Places	Contractual	Place	GMSF Evidence base and examination costs	111,284	111,284	0	0
Successful & Thriving Places	Contractual	Place	GMSF Technical and Feasibility Assessments	43,414	43,414	0	0
Successful & Thriving Places	Ring Fenced Grant/Bid	Place	Town Centre Initiatives	74,231	74,231	0	0
Successful & Thriving Places	Base Budget	Place	Trafford Local Plan	46,085	46,085	0	0
Successful & Thriving Places	Statutory	Place	Local Plan Examination 2020/21	150,000	0	150,000	0
Successful & Thriving Places	Contingency	Place	Trafford Local Industrial Strategy	30,000	30,000	0	0
Successful & Thriving Places	Base Budget	Place	Temporary Support to Outdoor Media Income	41,619	41,619	0	0
Successful & Thriving Places	Contractual	Place	Empress car park fly tipping removal	10,000	10,000	0	0
Successful & Thriving Places	Contingency	Place	Environmental Improvement Works - Sale Water Park	16,434	16,434	0	0
Successful & Thriving Places	Base Budget	Place	Interim Staff Costs - One Trafford Partnership	331,236	331,236	0	0

Council Priority	Commitment Type	Directorate	Scheme Title	Plan £	2019/2020 £	2020/2021 £	2021/2022 £
Successful & Thriving Places	Base Budget	Place	Interim Staff Costs - Building Control	43,350	43,350	0	0
Successful & Thriving Places	Ring Fenced Grant/Bid	Place	Pedestrian Crossing Surveys (Match Funding of TFGM Bid - Cycleways)	52,299	52,299	0	0
Successful & Thriving Places	Capital Programme	Central Services	Libraries ICT and other capital improvements	106,303	106,303	0	0
Successful & Thriving Places	Contingency	Central Services	Voluntary Sector Grants Programme	147,627	47,627	50,000	50,000
Successful & Thriving Places	Base Budget	Central Services	Locality Board Initiatives	15,463	15,463	0	0
Successful & Thriving Places	Base Budget	Central Services	One off support to the 19/20 revenue budget from LAA Performance Reserve	100,000	100,000	0	0
Successful & Thriving Places	Contractual	Place	Residential and Commercial developments - Highway S37/38 fees	165,653	165,653	0	0
Successful & Thriving Places	Capital Programme	Place	Residential Parking Schemes	500,000	500,000	0	0
Successful & Thriving Places	Contractual	Place	MUFC Traffic Mgt	100,000	100,000	0	0
Successful & Thriving Places	Contingency	Place	Maintenance of Public Conveniences	104,061	104,061	0	0
Successful & Thriving Places	Base Budget	Central Services	Invest to Save/income generation business cases re Arts Centre	1,000	1,000	0	0
Successful & Thriving Places	Contractual	Central Services	GMSS Firewall Licence renewal	42,000	42,000	0	0
Successful & Thriving Places	Contractual	Central Services	GMSS Recruitment Interface	16,000	16,000	0	0
Successful & Thriving Places	Contractual	Central Services	On-line consultation portal (Citizen Space)	15,990	15,990	0	0
Successful & Thriving Places	Contractual	Central Services	Capital Project Support	57,500	57,500	0	0
Successful & Thriving Places	Ring Fenced Grant/Bid	Central Services	iTrent licences for changes to pension processing and Contact 360 development	80,337	80,337	0	0
Successful & Thriving Places	Base Budget	Central Services	HR restructure - 1 year support	100,000	100,000	0	0
Successful & Thriving Places	Base Budget	Central Services	Communications apprentice	12,000	12,000	0	0

Council Priority	Commitment Type	Directorate	Scheme Title	Plan £	2019/2020 £	2020/2021 £	2021/2022 £
Successful & Thriving Places	Base Budget	Central Services	Flixton House marketing manager and other temporary base budget support	57,332	57,332	0	0
Successful & Thriving Places	Contingency	Central Services	Staff/training commitments (RIF funding c/f 18/19)	79,625	79,625	0	0
Successful & Thriving Places	Contingency	Central Services	Continuing Training Programmes	65,000	65,000	0	0
Successful & Thriving Places	Base Budget	Central Services	EBP system developments inc Front line scanning solution	97,889	97,889	0	0
Successful & Thriving Places	Base Budget	Central Services	GMSS ICT update charge	50,268	50,268	0	0
Successful & Thriving Places	Base Budget	Central Services	Financial Management Temporary base budget support	237,510	79,170	79,170	79,170
Successful & Thriving Places	Contingency	Place	LED conservation areas	3,000	3,000	0	0
Successful & Thriving Places	Contractual	Place	Transformation and Modernisation	350,000	350,000	0	0
Successful & Thriving Places	Contingency	Central Services	Apprenticeship Programme	84,178	84,178	0	0
Successful & Thriving Places	Contingency	Central Services	Graduate Training Programme	36,090	36,090	0	0
Successful & Thriving Places	Base Budget	Central Services	GMSS Apprentice	23,000	23,000	0	0
Successful & Thriving Places	Contingency	Central Services	Banking costs to future years	4,218	4,218	0	0
Sub-Total Successful & Thriving Places				**3,934,401**	**3,392,061**	**346,170**	**196,170**
Children and Young People	Base Budget	Traded Services	Support from reserves smoothing re base budget subsidy	238,840	238,840	0	0
Children and Young People	Contractual	Traded Services	Food costs - Brexit impact	144,416	144,416	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	Legal Aid, Sentencing and Punishment of Offenders (LASPO)	3,381	3,381	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	New Burdens Grant - s31 Extended Personal Adviser	12,228	12,228	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	National Children's Bureau	29,472	29,472	0	0

Council Priority	Commitment Type	Directorate	Scheme Title	Plan £	2019/2020 £	2020/2021 £	2021/2022 £
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	Early Adopters Grant	35,000	35,000	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	Frontline Social Workers Grant	18,810	18,810	0	0
Children and Young People	Base Budget	Childrens Services	Education Welfare Service - bridging monies until restructure implemented	40,000	40,000	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	Reform Investment Fund for Stronger Families	607,561	607,561	0	0
Sub-Total Children and Young People				**1,129,708**	**1,129,708**	**0**	**0**
Building Quality, Affordable and Social Housing	Contractual	Place	Commission Private Sector Housing Stock Condition Survey	16,603	16,603	0	0
Sub-Total Building Quality, Affordable and Social Housing				**16,603**	**16,603**	**0**	**0**
Green & Connected	Capital Programme	Central Services	Funding of ICT Capital Projects and Modernisation	482,279	165,856	158,423	158,000
Green & Connected	Contractual	Place	William Wroe options appraisal	10,000	10,000	0	0
Green & Connected	Ring Fenced Grant/Bid	Place	Greenspace Masterplan (Longford Park and Bollin Valley)	21,176	21,176	0	0
Green & Connected	Ring Fenced Grant/Bid	Place	District Heating network match funding	19,800	19,800	0	0
Green & Connected	Contingency	Place	Environmental Improvement Works - Sale Water Park	53,023	53,023	0	0
Green & Connected	Contingency	Place	Environmental Improvement Works - William Wroe	32,212	32,212	0	0
Green & Connected	Contractual	Place	Flood management plan	46,050	46,050	0	0
Green & Connected	Statutory	Place	Tree Inspections and Mtce (Parks and Open Spaces)	71,218	71,218	0	0
Green & Connected	Contractual	Place	Trio bins in parks etc.	98,005	98,005	0	0
Green & Connected	Contractual	Place	Keep Britain Tidy - one off performance monitoring	18,000	18,000	0	0
Green & Connected	Contractual	Place	Fly tipping removal KPI to 10 days trial	6,970	6,970	0	0
Green & Connected	Contractual	Place	Garden waste bin	200,000	200,000	0	0

Council Priority	Commitment Type	Directorate	Scheme Title	Plan £	2019/2020 £	2020/2021 £	2021/2022 £
			replacements				
Green & Connected	Base Budget	Place	Recycling Initiatives	303,000	303,000	0	0
Green & Connected	Contingency	Place	GM Clean Air Plan Contingency	20,000	20,000	0	0
Green & Connected	Contingency	Place	One Off Removal of Waste in Parks	90,000	90,000	0	0
Green & Connected	Contingency	Place	Allotments Initiatives	46,004	46,004	0	0
Green & Connected	Base Budget	Place	Bikeablility and Road Safety Initiatives	21,427	21,427	0	0
Green & Connected	Contingency	Place	Carbon Neutral Study	39,000	39,000	0	0
Sub-Total Green & Connected				**1,578,164**	**1,261,741**	**158,423**	**158,000**
Pride in Our Area	Contractual	Place	Partington Environmental Improvement Works	14,100	14,100	0	0
Pride in Our Area	Contractual	Place	Aeration Project Salford Quays contribution	12,065	12,065	0	0
Pride in Our Area	Contractual	Place	Halecroft Park works	15,310	15,310	0	0
Pride in Our Area	Contractual	Place	Community Initiatives	10,000	10,000	0	0
Pride in Our Area	Contractual	Central Services	Community Safety Case Management System	21,000	15,000	3,000	3,000
Pride in Our Area	Contractual	Central Services	Good Gym Project - Gyms in Parks	12,753	12,753	0	0
Pride in Our Area	Ring Fenced Grant/Bid	Central Services	Community Safety Projects	212,123	212,123	0	0
Pride in Our Area	Base Budget	Central Services	Data Lab staff support - funded from ring fenced transparency grant	66,123	66,123	0	0
Pride in Our Area	Contingency	Place	Commercial Property - Statutory Energy Ratings	12,000	12,000	0	0
Pride in Our Area	Ring Fenced Grant/Bid	Central Services	Behaviour Change Programme	24,571	24,571	0	0
Sub-Total Pride in Our Area				**400,045**	**394,045**	**3,000**	**3,000**
Health and Wellbeing	Contingency	Place	Environmental Improvement Works - Sale Water Park	8,000	8,000	0	0

Council Priority	Commitment Type	Directorate	Scheme Title	Plan £	2019/2020 £	2020/2021 £	2021/2022 £
Health and Wellbeing	Base Budget	Place	Funding for Sports Relationship Manager to 31/3/21	110,353	55,177	55,177	0
Health and Wellbeing	Ring Fenced Grant/Bid	Place	Active Aging Programme with age UK in Partington	29,415	29,415	0	0
Health and Wellbeing	Ring Fenced Grant/Bid	Place	Local Pilot (Sport England)	5,363	5,363	0	0
Health and Wellbeing	Contingency	Central Services	Continuing Training Programmes	40,000	40,000	0	0
Health and Wellbeing	Contractual	Adults Services	Good Gym	10,000	10,000	0	0
Health and Wellbeing	Contractual	Adults Services	Urgent Care Control Team	4,000	4,000	0	0
Health and Wellbeing	Unknown to be classified	Adults Services	Autism Innovation costs	4,000	4,000	0	0
Health and Wellbeing	Statutory	Central Services	Legal Contingency re DOLS	60,937	60,937	0	0
Sub-Total Health and Wellbeing				**272,068**	**216,892**	**55,177**	**0**
Sub-Total Contingency				**0**	**0**	**0**	**0**
Grand -Total All Projects				**7,330,989**	**6,411,049**	**562,770**	**357,170**

2020/21 Objective (Service) Budget Analysis

Annex H

SERVICE EXPENDITURE ANALYSIS	Net Budget 2019/20 (£'000)	Proposed Net Budget 2020/21 (£'000)	Movement (£'000)
Children's Service			
Children with Complex and Additional Needs	1,366	1,383	17
Commissioning	1,518	1,558	40
Children's Social Services	24,372	28,548	4,176
Education and Early Years' Service	6,200	6,433	233
Early Help Delivery Model	1,012	1,351	339
First Response	1,455	2,414	959
Youth Offending Service	158	238	80
DSG	0	0	0
Children's Service Sub-Total	**36,081**	**41,925**	**5,844**
Adults Service (incl. Public Health)			
Client Costs	49,509	54,847	5,338
BCF and Other Grants	(13,959)	(19,428)	(5,469)
Assistive Equipment and Technology	1,002	1,001	(1)
Social Care Activities - Care Management	10,317	10,589	272
Commissioning and service delivery	1,879	2,280	401
Public Health	11,778	12,116	338
Adult Service Sub-Total	**60,526**	**61,405**	**879**
Place			
One Trafford Partnership	15,859	17,030	1,171
Street Lighting Energy	839	868	29
Media Advertising	(816)	(817)	(1)
Waste Disposal Levy	16,171	15,695	(476)
Strategic Management	661	662	1
Economic Growth & Planning	1,927	2,104	177
Public Protection & Enforcement	473	504	31

SERVICE EXPENDITURE ANALYSIS	Net Budget 2019/20 (£'000)	Proposed Net Budget 2020/21 (£'000)	Movement (£'000)
Parking Services	(1,100)	(1,167)	(67)
Strategic Support Services	848	863	15
Place Sub-Total	**34,862**	**35,742**	**880**
Governance and Community Strategy			
Legal & Democratic Services	2,878	2,923	45
Access Trafford	2,939	3,045	106
Partnerships and Communities	1,632	1,633	1
Arts and Culture	584	710	126
Directorate Wide Efficiency -G&CS	(193)	(198)	(5)
Governance and Community Strategy Sub-Total	**7,840**	**8,113**	**273**
Finance and Systems			
Finance Services	5,172	5,224	51
ICT Services	2,498	2,777	279
Transformation	0	1,000	1,000
Directorate Wide Efficiency -F&S	(187)	(189)	(2)
Finance and Systems Sub-Total	**7,483**	**8,812**	**1,329**
People and Traded Services			
Human Resources	2,331	2,550	219
Communications	232	238	6
Executive	384	462	78
School Crossing Patrols	425	435	10
Bereavement Services	(732)	(679)	53
Catering & Cleaning Traded Services	504	233	(271)
Music Service	189	237	48
Directorate Wide Efficiency -People	(128)	(133)	(5)
People and Traded Services Sub-Total	**3,205**	**3,343**	**138**

SERVICE EXPENDITURE ANALYSIS	Net Budget 2019/20 (£'000)	Proposed Net Budget 2020/21 (£'000)	Movement (£'000)
Total Service Budget	**149,997**	**159,340**	**9,343**
Council Wide Service			
Transport Levy	15,788	16,209	421
Flood Defence	146	149	3
Coroner's & Mortuary	744	728	(16)
AGMA/ Other	495	495	0
Contingencies, Provisions and Corporate savings	4,342	2,500	(1,842)
Interest Receivable (incl. Airport Dividend)	(6,193)	(7,545)	(1,352)
Loan Debt (principal and interest)	6,546	9,080	2,534
Property Investment Fund	(2,411)	(7,431)	(5,020)
Insurance	753	700	(53)
Members Expenses	854	950	96
Other Centrally held budgets	1,194	1,934	740
Central Grants	(2,318)	(1,906)	412
COUNCIL-WIDE BUDGETS	**19,940**	**15,863**	**(4,077)**
Proposed Net Budget	**169,937**	**175,203**	**5,266**

Annex I

REPORT of the CORPORATE DIRECTOR OF FINANCE AND SYSTEMS
to the COUNCIL 19 FEBRUARY 2000

ROBUSTNESS of the 2020/21 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 6.

1.4 In drafting the budget reports close consideration has been given to recent publications from Cipfa, namely:-

- **Financial Management Code** which provides a useful framework to assist local authorities in demonstrating their financial sustainability and sets expected standards of financial management for local authorities;

- **Prudential Property Investment** which provides a useful update on the Prudential Code and how they relate to the expansion of commercial activity by local authorities; and

- **Financial Resilience Index (FRI)** which usefully compares the Council against similar local authorities across a range of key financial measures to give an indication of financial stability.

1.5 In respect of the FRI there are a number of areas which show the Council to have higher levels of risk compared to similar local authorities, particularly:-

- **the level of reserves** as a proportion of net revenue budget – this is a recognised risk and whilst the Council has successfully replenished reserves in previous years, their relatively low level remains a concern particularly given the planned application in 2020/21. Given the size of the budget gap in 2021/22 prioritisation will be given to replenishing the budget support reserve to a level of 50% of the budget gap in 2021/22 by reallocating from other reserve areas.

- **level of business rate growth** above baseline supporting budget – this risk has been recognised and assumptions about the planned reset in 2021/22 and about transitional protection have been included in the budget proposals, 1.6 After ten years of austerity funding reductions the ability to balance budgets is extremely challenging. What we do know is that our expenditure pressures in a number of areas are unavoidable with rises in costs due to pay inflation and living wage increases, general inflation on contracts and goods and services and demography are predicted to cost the Council in the region of £10m annually with assumed increases in Council Tax only part mitigating these pressures. The national budget in March and comprehensive spending review later in 2020 are eagerly awaited and should provide some signal of the outlook for local government; at least for a multi-year settlement which would at least provide a degree of certainty for the planning of future years' budgets. Trafford though has two other pressures which are not felt by the majority of councils which make our budget planning even more difficult:-

- The costs associated with improving our Children's Services following the Ofsted review in 2019 which gave an inadequate rating and for which allowance is included in these budget estimates;

- The expected loss of funding from business rates following a national reset of baselines in April 2021

1.7 Given the short term uncertainty, the size of the remaining budget gap in 2021/22 and the extent of activity in 2020 which will affect local government the risk attached to our budgetary position has been increased in the Strategic Risk Register to Red given the size of the budget challenge for 2021/22 and beyond.

2. PROCESS

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 2019/20 budget monitoring process and planning process review have been addressed in the 2020/21 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 the Financial Management Service.

2.3 All budget managers have been requested to agree their budget working papers and are therefore aware of their proposed budget for 2020/21 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 (both revenue and capital budget and reserves) 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 2020/21 and in 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 to ensure that they reasonably allow for a degree of error. Risks can be mitigated through a variety of management actions and the Corporate Leadership Team (CLT) 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 with monthly updates on financial performance reviewed. 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.

BUDGET 2020/21

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 2021/22 given the expected reset of the business rate retention scheme baselines, implementation of fairer funding and compounded by the use a one-off reserves supporting the 2020/21 budget.

- The Government has now indicated that the national reset of the business rate retention scheme baselines and introduction of fair funding review of local government needs and resources will now take place in 2021/22 rather than 2020/21 as originally intended. This will give rise to significant financial turbulence and has made financial forecasting extremely difficult. Whilst the reset in itself poses a significant financial risk to the Council the Government is likely to include a transitional protection system to protect authorities from any significant financial cliff edges. The current budget assumptions include for these protections and are based on the council's current funding levels from the original retained business rate and 100% GM Pilot schemes. There is a risk the Government does not afford protection to the additional funding derived from the 100% Pilot in which case this will put further pressure on the budget gap in future years. The delay in resetting the system, whilst in part good news, exposes the Council to a further year of potential decline in business rate funding. This has been apparent during 2019/20 when overall rateable values have fallen by approximately £5m with a major contributing factor being the level of temporary refurbishments and significant number of commercial and industrial property being converted to residential assets. An assessment of rateable value and income levels has been forecast indicating a potential shortfall in income for 2020/21 compared to our draft budget proposals and this will be mitigated with one-off support from the Business Rate Risk Reserve for one year until reset of the system.

- The delivery of savings identified, in particular the adult services 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 action continues to provide a secure source of income to support the revenue budget and remains proportionate. In this regard close attention continues to be given to all updates from MHCLG and the Cipfa Prudential Code. A review of all assets is undertaken on an annual basis to determine the appropriateness of the level of specific reserve set aside to cover all outstanding risks;

- An invest to save programme has been developed for Children's Services. This programme introduces investment in early help which is expected to increase the quality of services and lead to reduced demand and in later years, net budget savings. As this is an investment that will produce a longer term saving, it is considered prudent to pump prime this investment from our reserves in 2020/21.

- The Council has ambitions to undertake some substantial regeneration and development in the Borough with particular focus on town centre regeneration and provision of new housing. An outcome of this is that it will generate new capital receipts which can be used to support capital investment in the Council's property and infrastructure but given the lead in times to some of this development it is likely to mean that more of the capital receipts are realised in 2021/22 and 2022/23. This potentially will give rise to some short term temporary borrowing to finance the capital programme, the costs of which will be financed from the Interest Rate Smoothing Reserve.

- There is always the risk that the Council could face legal challenge in relation to any of 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 can be significant;

- The uncertainty that exists on demand led services, particularly in adults and children's social care continues to pose the biggest threat to the Council's budget in the future and significant new investment has been incorporated into the 2020/21 budget plans to reflect the latest demand pressures. Government has provided invaluable support for social care as part of the Spending Round announced in autumn 2019 but no further funding projections are known until the outcome of the budget and spending review expected in 2020.

- There is also risk with regard to the ability of the external care market to provide sufficient capacity at a price supported by the Fair Price for Care review in order to support our growing care needs;

- In the short term the expenditure pressures being felt in the schools high needs block have been addressed by the Government's commitment to invest an additional £700m nationally into high needs in 2020/21. We will only know if this provides a sustainable solution once allocations are known for later years.

FUTURE YEARS

2.8 The decisions in this report and the utilisation of a level of temporary reserves funding increases the challenges for future years. Current projections still leave a budget gap of £15.01m in 2021/22 even after assumptions on additional funding raised from general council tax increases and the social care precept. After ten years of making savings and achieving additional income to balance the budget there is limited scope to achieve future savings given the increased demand pressures in adults and children's services. Whilst Government have started to acknowledge some of these pressures any additional funding provided has failed to keep pace with these demand pressures.

2.9 It is therefore crucial that as soon as this budget is agreed both senior officers and Executive Members begin consideration of radical budget options in advance of any further funding updates during 2020. This exercise should aim to be well under way by the end of Q1 2020/21 and identify a range of options that can address the significant budget gap for 2021/22 in advance of funding announcements which are expected to be made in the autumn of 2020.

2.10 It is unlikely that any indicative funding figures will be made available by Government until late summer or early autumn 2020 which will make financial planning difficult for 2021/22 and is why advance work needs to commence in March and April. A number of potential mitigating factors exist:-

- An updated National Budget will be announced on 11 March 2020 with the promise of a “decade of renewal”. It is expected that this will focus on the environment and build on recent announcements to boost spending on public services. Whilst this should provide a useful update on local government spending it is unlikely to cover Government departmental spending beyond 2021. It is hoped that a longer term spending review follows shortly after this announcement together with an update on support for social care.

- The Local Government Minister Luke Hall has promised to set out plans to fix the social care system once and for all and to work with political parties from all sides of the House of Commons to seek consensus around the very best solutions.

- In the summer/autumn there will be a longer-term Spending Review, alongside the Fair Funding Review (FFR) of the allocation and distribution of those resources, and a review and upcoming reset of the business rates tax.

- The outcome of the FFR and Business rate reset is expected during 2020 and at this stage it will be necessary to review the existing budget assumptions, particularly those included for the transitional arrangements that are to be put in place.

- The developing modernisation programme and digital improvements are expected to yield some benefits which are capable of supporting the budget.

- The Council’s current budget contains a modest level of discretionary services which will be reviewed during 2020 as well as fees and charges.

- Through the Asset Investment Strategy two significant debt arrangements which are yielding substantial benefits to the revenue budget come to an end. If alternative investments can be identified, together with the use of the remaining headroom in the Fund, this should contribute toward bridging the budget gap.

- It is imperative that the Council lobby Government for a change in the current council tax referendum levels such that more discretion is afforded for those authorities with a below average level of council tax.

2.11 Given the size of the budget gap in future years it has been necessary to review the level of the Budget Support Reserve and the proposals in this report recommend a full rationalisation and review of reserves such that a balance of £7.5m can be reinstated, being 50% of the remaining budget gap for 2021/22. This will provide a prudent level of budget resilience for the 2021/22 budget process. The reinstatement of the Budget Support Reserve to such a level is a key financial priority and whilst a challenge for the Council given the low level of reserves could be achieved by:-

- Earmarking any outturn savings achieved in 2019/20
- Reviewing the MAG dividend reserve given current projection of distributable amounts from MAG being greater than our budgeted level
- Potential one-off savings from the PFI scheme and redistributions from AGMA budgets, including waste and retained business rates
- Review of Service Area Priority Reserves
- Review of Business Rate Risk Reserve

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. In the event of sponsored academisation the responsibility of any legacy school deficit remains with the local authority, therefore our reserves strategy takes this risk into consideration.

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:

- It is a key priority to reinstate the level of the Budget Support Reserve to a level equivalent to 50% of the remaining budget for 2021/22, i.e. £7.5m
- Start the 2021/22 budget immediately to commence scenario planning in the event the upcoming national budget and spending review fail to address the financial pressures of local government
- Proportionality of the Investment Strategy has been assessed and appropriate and prudent levels of risk reserve and MRP are being set aside.
- A full review of the fair price for care level for adult social care homes
- A pressure on the Housing Benefit budget caused by an increase in temporary, homeless and supported accommodation costs which are not fully reimbursed through housing subsidy. This shortfall is being compounded by a reduction in recovery rates for benefit overpayments and a move to Universal Credit. Therefore a specific reserve has been created.

- Levels of contingency budget have been reviewed for adult social care and children's social care areas. There is an assumption additional investment in staffing within Children's Services will lead to better control on the cost of children's placements. In the event savings cannot be fully delivered an allowance has been included in the corporate contingency.
- Earmark an element of the Interest Rate Smoothing Reserve in the event there is a need to undertake any short term borrowing to support the capital programme.
- Increase in budget provision within Adults Social Care due to the impact the external care market is having on client costs.
- The leisure centre strategy will need further review before the commitment of the next phases of development.
- A review of ordinary residence cases is still in the process of being assessed and for this reason an allowance has been factored into the general reserve calculation.
- 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 2020/21 to move towards bringing Public Health expenditure back within the Public Health allocated resources by 2020/21. Additional investment has been included in these budget plans for 2020/21 to support public health related expenditure commissioned by other service areas which will free up public health resources which can be invested in to preventative public health measures.

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, the same level set for 2019/20.

Annex J

OUTLINE OF 2020/21 FUNDING FORMULA RECOMMENDED BY SCHOOL FUNDING FORUM

-	**Description**	**Amount per pupil**		**Pupil Units**		**Sub Total**	**Total**
	Primary (Years R-6)	£2,872.71		21,109.00		£60,640,035	
	Key Stage 3 (Years 7-9)	£4,040.10		9,864.00		£39,851,546	**£128,650,174**
	Key Stage 4 (Years 10-11)	£4,586.09		6,140.00		£28,158,593	
		Primary amount per pupil	**Secondary amount per pupil**	**Eligible proportion of primary NOR**	**Eligible proportion of secondary NOR**		
Deprivation	FSM	£452.48	£452.48	2,192.00	1,647.00	£1,737,071	**£9,940,877**
	FSM6	£563.08	£819.48	2,940.29	2,829.68	£3,974,484	
	IDACI Band F	£211.16	£301.65	1,160.70	873.80	£508,676	
	IDACI Band E	£251.38	£407.23	1,477.29	1,117.28	£826,351	
	IDACI Band D	£377.06	£537.94	865.21	627.87	£663,992	
	IDACI Band C	£407.23	£583.19	754.45	594.73	£654,076	
	IDACI Band B	£437.39	£628.44	1,179.77	993.57	£1,140,422	
	IDACI Band A	£603.30	£844.62	336.75	275.44	£435,806	
		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	£537.94	£1,447.92	2,412.64	228.50		**£1,777,817**
		Amount per pupil		**Eligible proportion of primary and secondary NOR respectively**			
Prior attainment	Low Attainment % new EFSP Low Attainment % old FSP 78	£1,070.86		5,362.80		£5,742,807	**£8,882,389**
	Secondary pupils not achieving (KS2 level 4 English or Maths)	£1,618.86		1,939.38		£3,139,582	
Lump Sum						£115,029.20	**£9,662,453**
Split Sites							**£40,000**
Rates							**£1,567,398**
Additional funding under the minimum funding level (primary £3,779 secondary £5,029)							**£6,734,735**
Total Funding for Schools Block Formula (excluding MFG Funding Total)							**£167,255,843**

Minimum Funding Guarantee (MFG is set at +1.84%)	**£3,422,461**
Total Funding For Schools Block Formula	**£170,678,305**
less de-delegation	**-£795,805**
less Education functions	**-£221**
Total Funding For Schools Block Formula less de-delegation	**£169,882,278**

Annex K

Formal Council Tax Resolution

<u>The Council is recommended to resolve as follows:</u>

1. It be noted that on 18th January 2020 the Council calculated

(a) the Council Tax Base 2020/21 for the whole Council area as 77,386 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")] and;

(b) 1,573 for dwellings in the Parish of **Partington**;
(c) 125 for dwellings in the Parish of **Carrington:**

to which Parish Precepts relate.

It is recommended : -

2. That the Council approve the Council Tax Requirement for the Council's own purposes for 2020/21 (excluding Parish precepts) as £103,989,759.

3. That the Council agrees the calculation of the Aggregate Amounts for the year 2020/21 in accordance with Sections 31 to 36 of the Act:

(a) £491,536,139 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) £387,460,771 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) £104,075,368 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) £1,344.89 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) £85,609 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.

(f) £1,343.78 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) £1,395.82 **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.

(h) £1,373.78 **Parish of Carrington**
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(c) 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 2.0% increase to be spent exclusively on supporting the delivery of adult social care services.

5. That it be noted that for the year 2020/21 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 2020/21 for each part of its area and for each of the categories of dwellings.

Valuation Bands

Council Tax Schedule 2020/21	**Band A £**	**Band B £**	**Band C £**	**Band D £**	**Band E £**	**Band F £**	**Band G £**	**Band H £**
Trafford Council (including Adult Social Care Precept)	895.85	1,045.16	1,194.47	1,343.78	1,642.40	1,941.02	2,239.63	2,687.56
Mayoral Police and Crime Commissioner Precept	138.86	162.01	185.15	208.30	254.58	300.87	347.16	416.60
Mayoral General Precept (including Fire Services)	60.63	70.73	80.84	90.95	111.16	131.37	151.58	181.90
Sub total	**1,095.34**	**1,277.90**	**1,460.46**	**1,643.03**	**2,008.14**	**2,373.26**	**2,738.37**	**3,286.06**

Partington								
Parish only	34.69	40.48	46.26	52.04	63.60	75.17	86.73	104.08
Parish & District only	930.54	1,085.64	1,240.73	1,395.82	1,706.00	2,016.19	2,326.36	2,791.64
Aggregate of Council Tax requirements (incl. – Mayoral Precepts)	**1,130.03**	**1,318.38**	**1,506.72**	**1,695.07**	**2,071.74**	**2,448.43**	**2,825.10**	**3,390.14**

Carrington								
Parish only	20.00	23.33	26.67	30.00	36.67	43.33	50.00	60.00
Parish & District only	915.85	1,068.49	1,221.14	1,373.78	1,679.07	1,984.35	2,289.63	2,747.56
Aggregate of Council Tax requirements (incl. – Mayoral Precepts)	**1,115.34**	**1,301.23**	**1,487.13**	**1,673.03**	**2,044.81**	**2,416.59**	**2,788.37**	**3,346.06**

PARISH COUNCIL PRECEPTS

	2019/20			2020/21			
Parish/Town Council	**Tax Base**	**Precepts £**	**Council Tax Band D (£)**	**Tax Base**	**Precepts £**	**Council Tax Band D (£)**	**C Tax Increase**
Partington	1,577	67,023	42.50	1,573	81,859	52.04	22.45%
Carrington	124	0	N/A	125	3,750	30.00	N/A
TOTAL	**1,701**			**1,698**	**85,609**		

TRAFFORD BOROUGH COUNCIL

Report to: **Executive**
Date: **19 February 2020**
Report for: **Decision**
Report of: **Executive Member for Finance and Investment and the Corporate Director of Finance and Systems**

Report Title

Executive's Response to Scrutiny Committee's Recommendations to the Budget Proposals for 2020/21

Summary

At the Executive meeting on the 27 January 2020 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 2020/21.

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 the Scrutiny Committee 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
Not applicable

Reasons for Recommendation
The report is in response to the review carried out by the Scrutiny Committee.

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

Finance Officer Clearance …… GB……..

Legal Officer Clearance *……. DS……*

CORPORATE DIRECTOR'S SIGNATURE

…………………

BUDGET SCRUTINY ACTION PLAN

Area	**Scrutiny Recommendation**	**Executive Response**
Investment management Strategy – Members feel that as this is such a key part of the Council's budget plans for the foreseeable future that it should be closely monitored by Scrutiny	Scrutiny asks that its Members receive training on the Investment Management Strategy. Scrutiny requests updates on the Investment Management Strategy every 6 months.	The Executive note this position and confirm that regular updates will be made available and also a training event will be arranged.
Council Reserves - The Committee are concerned that the Council continues to operate with a comparatively low level of reserves and feel that Scrutiny need assurance that the Council's position is robust.	Scrutiny request to have a dedicated session with Officers to discuss the Councils reserves in detail so that they have a full understanding of the Council's position.	The Executive note this position and confirm that a further update session will be arranged.
Service Transformation – Scrutiny support the Council's position that services need to stop working in silos. Scrutiny wants to be kept updated as to the Council's progress in this area to ensure that change is delivered.	Scrutiny recommends that the Executive Members for Adults and Children's Services and Senior officers be involved in the creation of the Council's Local Plan. Scrutiny asks that the Council's transformation plans be brought to the relevant Scrutiny Committee. Scrutiny asks that the Executive works closely with the Children and Young People's Scrutiny Committee around the development of the Council's SEND Service	The Executive note this position. The Executive Member for Adult Social Care attended Scrutiny on 30/1/2020 to discuss the work across ASC and offer to bring any aspect of work or development and challenges to Scrutiny. The Committee is now considering aspects of the ASC they wish to scrutinise in the future.
Accommodation – Scrutiny is concerned that the provision of accommodation within the borough is not currently sufficient to meet demand. Scrutiny welcomes the Executives plans to address this issue and support them in moving forward with these developments. Scrutiny also welcomes and supports the development of high level provision at the GM Level.	Scrutiny recommends that the Executive prioritise the development of additional provision within the borough. Scrutiny asks that the Executive provide regular updates on the development of this provision. Scrutiny requests that the Health Scrutiny Committee receive regular updates on the development of the high level facilities by GMCA.	The Executive note this position. ASC will ensure that any developments across GM that support Trafford residents are brought to the attention of Scrutiny. At present the only discussions across GM for shared resource relate to supported living accommodation for people with autism and learning disabilities.

Early Intervention and Prevention – Scrutiny is concerned at the level of the Council's services in this area. Scrutiny welcomes the investment in Children's services and the Executives plans to continue this increased investment. Scrutiny also welcomes the ongoing work in Adults services, especially public health, in preventative services. Scrutiny wants to ensure that the benefits from the preventative work are captured and so would like to be informed of the methods used by the Council.	Scrutiny asks that the Executive update the Children and Young People's Scrutiny Committee on the plans to improve the Council's early intervention and prevention services. Scrutiny asks that the Health Scrutiny Committee receive updates on the impact of the Council's Cancer screening and immunisation programmes Scrutiny requests an update on the benefit realisation methods used by the Council for preventative services.	The Executive note this position. Cancer screening update was well received at health scrutiny on 30/1/2020. Immunisation programme update was provided by health scrutiny in 2019.
Home to School Transport – Scrutiny are concerned with the number of issues within this service as it provides support to some of Trafford's most vulnerable residents.	Scrutiny asks that a report on this service and the planned developments be provided to the Children and Young People's Scrutiny Committee.	The Executive note this position.
Commissioning – Scrutiny recognises that commissioning is a large aspect of the services the Council delivers and feel that Scrutiny Members need to fully understand the service to be able to carry out their role.	Scrutiny would like for all Scrutiny Committee Members to receive training to enable them to see if the Council could reduce costs while improving services.	The Executive note this position. The services will develop a training pack for members and will arrange to deliver this in quarter 1 2020/2021.
Demand Led Services – Scrutiny continue to be concerned regarding the Council's vulnerability to sudden increases in demand. Scrutiny would like to receive additional assurance that the Council's projections are sufficiently robust.	Scrutiny requests regular performance updates on demand led services.	The Executive note this position. Regular updates are included as part of the bi-monthly budget monitoring reports to Executive. Clarification of what the scrutiny committee would like to receive in addition to this information is needed.

TRAFFORD COUNCIL

Report to: **Accounts and Audit Committee 5 February 2020**
Executive and Council 19 February 2020
Report for: **Decision**
Report of: **The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems**

Report Title

TREASURY MANAGEMENT STRATEGY 2020/21 – 2022/23

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

The Accounts & Audit Committee recommend that:

(a) Executive note the report and
(b) Council approves the Treasury Management Strategy 2020/21 – 2022/23 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
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 and Prudential Indicators.
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	Not applicable
Sustainability Implications	Opportunities to invest monies in products which both supports sustainable assets and complies with the Council's investment strategy will continued to be explored as and when they become available.
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities and these factors have been incorporated into the treasury management systems and procedures which are independently tested on a regular basis. No Treasury activity is without risk and the Council's in-house treasury management team continually monitor risks to ensure that adverse or unforeseen fluctuations in interest rates are avoided and security of capital sums are maintained at all times.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Summary

This report has been prepared in accordance with the Council's Financial Procedure Rules number 8 and outlines the forecasted treasury management activities for the forthcoming three years. Additional reports are produced during the course of the year notifying Members of the preceding financial year actual activities together with a current mid-year update.

Economic position (Appendix 2)

The continuing trade wars between China and US together with the uncertainty of Brexit have dominated the economic events of 2019 and look to do so for 2020. Despite these events the International Monetary Fund is forecasting that a slight recovery in world growth will occur in 2020.

Debt (Section 3)

Borrowing interest rates are forecasted to move upwards from their current position. Any new external borrowing will be taken to assist finance the Council's capital borrowing requirement as outlined in the 2020/23 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 SLY, 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)

The current forecasted financial requirements of the Council's treasury management functions during this reporting period are shown for Members reference.

Background

1.1 The Council is required to operate a balanced budget with cash raised during the year being used to pay for expenditure 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 Another function of this service is to ensure that the Council's capital borrowing requirement, the longer-term cash flow planning, is provided for which 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 Treasury management as defined by the Chartered Institute of Public Finance Accountancy (CIPFA) is:

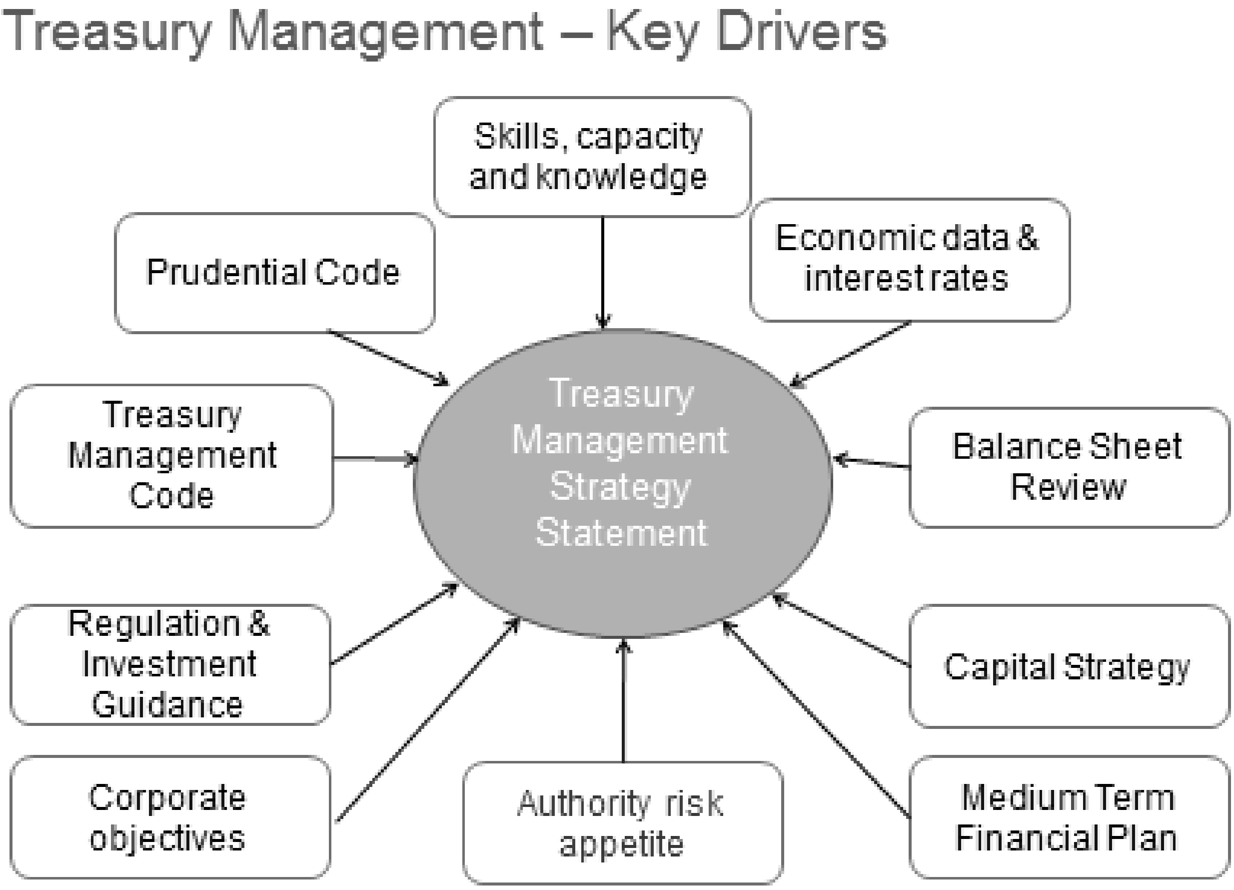
"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.4 In 2017 and 2019, CIPFA issued a revised Treasury Management Code of Practice and an update on Prudential Property Investment 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.

1.5 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.

1.6 The contribution the treasury management function makes to the Council's overall financial position is significant as failure to provide sufficient funding when needed would result in payments not being made which could have a negative impact on the Council's reputation. In addition to this, cash balances generally result from reserves and balances and it is paramount to ensure adequate security of all monies invested is achieved in order to avoid any potential loss of principal which in turn would result in a loss to the General Fund Balance.

1.7 For Members reference the diagram below identifies all factors which are considered in preparing the Annual Treasury Management Strategy:



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 - is the most important report 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 – this 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);
  - this provides details of actual treasury operations undertaken in the previous financial year.

1.9 Each of the above 3 reports are scrutinised by the Accounts & Audit Committee before being recommended to either Executive or Council for final approval.

1.10 The In-house treasury management team will ensure that all treasury management transactions undertaken 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)
- Medium Term Financial Plan (section 9)
- Recommendations (section 10).

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 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 acknowledges the importance of ensuring that all Members and staff involved in the treasury management function receive adequate training and are also fully equipped to undertake the duties and responsibilities allocated to them. This aspect is further highlighted in the CIPFA Code which requires the responsible officer, Corporate Director of Finance and Systems, to ensure that Members with responsibility for treasury management receive adequate training in treasury management.

1.16 For reference Member training events were provided by the Council's in-house team and Link Asset Services in June 2019 and January 2020 and these were further supplemented with more specific training during the course of the year. Officers will continue to attend relevant courses / seminars presented by CIPFA and other suitable professional organisations with additional training for Members being provided when required.

2. Economic & Interest Rate forecast

2.1 During 2019 the world economic growth weakened mainly as a consequence of the continuing trade war between the US and China however economic forecasters are predicting that the outlook for world growth will strengthen from its current position during 2020.

2.2 Further details of the major economic events which occurred during 2019 and which forecasters are predicting for 2020 are outlined at Appendix 2 for reference.

2.3 LAS produces interest rate projections periodically throughout the year and the latest forecasts (November 2019) cover the period up to March 2023, are highlighted in the table below;

Average rates	**2019-20 Forecast %**	**2020-21 Forecast %**	**2021-22 Forecast %**	**2022-23 Forecast %**
Bank Rate	0.75	0.81	1.00	1.25
Investment Rates (LIBID)				
3 month	0.70	0.85	1.08	1.30
1 Year	1.00	1.15	1.45	1.70
PWLB Loan Rates				
5 Year	2.35	2.50	2.83	3.13
25 Year	2.63	3.48	3.78	4.05
50 Year	2.45	3.30	3.68	3.95

2.4 The above interest rate forecasts have been based on an assumption that there is an agreed deal on Brexit including agreement on the terms of trade between the UK and EU. The result of the general election held in December 2019 has removed much uncertainty on this. However doubt around whether agreement can be reached with the EU on a trade deal by December 2020 remains. Until that major uncertainty has been removed it is unlikely that the MPC would move the Bank Rate.

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 underlying need to borrow comes 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.

3.2 The Council needs to ensure that its debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates going out to 2022/23. Whilst this allows some flexibility for limited early borrowing for future years, it also ensures that borrowing is not undertaken for revenue or speculative purposes. The Corporate Director of Finance and Systems can confirm that the Council has not exceeded the CFR in the current year and does not envisage difficulties for the future.

3.3 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 (MRP) which reduces the CFR each year.

3.4 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 £5.1m (31 March 2020) liability of such schemes within the CFR which is set to fall to £4.2m by 31 March 2023 as highlighted in the table below;

Other long-term liabilities	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Total at 1 April	5,319	5,067	4,799	4,514
Expected repayment	(252)	(268)	(285)	(304)
Total at 31 March	5,067	4,799	4,514	4,210

3.5 With effect from April 2020, the International Financial Reporting Standard 16 will require that all Council leases are also included with the CFR. Whilst the compliance of this new accounting requirement will impact on the Council's overall long term liabilities, it is deemed at this stage to be immaterial.

3.6 The total of the Council's loans outstanding as at 31 December 2019 totalled £366.0m and this was made up of loans taken from the Public Works Loan Board (PWLB) £322.1m & the money market (banks & publically funded companies) £43.9m. A breakdown of this debt is provided for reference at Appendix 6.

3.7 The Council holds, as mentioned above £43.9m of Market loans and of these £15.0m are held as variable rates of interest in the form of Lender's Option Borrower's Option (LOBO) loans. With regards to 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 another lender. The remainder of the Market loans, £28.9m are held at fixed rates of interest.

3.8 In addition to the borrowing undertaken directly, the Council is also responsible for a further £0.4m 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.

3.9 In line with similar practices adopted by the majority of councils, this Council is currently maintaining an under-borrowed position (CFR balance being higher than the level of external debt). This position has arisen from previous and current years annual CFR (borrowing need), not being fully funded with new loans as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered. As at 31 March 2019 the Council's under borrowed position was £30.9m and this is currently set to rise by 31 March 2020 due to internal borrowing on a number of the Asset Investment Strategy investments.

3.10 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.

3.11 There is no budgetary provision included within the Council's MTFP and therefore any new projects requiring borrowing will need to be self-financing.

3.12 The Corporate Director of Finance and Systems will contine to monitor interest rates and adopt a sensible approach to changing circumstances within the 2020/21 treasury operations before taking on any new debt to finance a proportion of the Council's capital investment projects or Asset Investment Strategy programme.

3.13 Based on the current positon the tables below reflect the potential level of long term external debt (loans only) the Council could have for the period 2019/20 to 2022/23 which is used to part fund its capital programme;

Commercial programme	**2019/20 Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**
Total at 1 April	91,400	254,922	454,789	454,652
Expected repayment	(129)	(11,833)	(137)	(141)
New requirement	163,651	211,700	0	0
Total at 31 March	254,922	454,789	454,652	454,511

General capital programme	**2019/20 Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**
Total at 1 April	129,250	160,791	158,863	159,685
Expected repayment	(4,662)	(4,662)	(3,078)	(4,114)
New requirement	36,203	2,734	3,900	35,450
Total at 31 March	160,791	158,863	159,685	191,021

3.14 All interest incurred on the Council's debt is charged directly to treasury management apart from where Executive have previously agreed to capitalise interest and will only be incurred on major development schemes i.e. Brown Street Hale.

3.15 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 (insurance companies, pension funds and banks).

3.16 Following the decision by the PWLB on 9 October 2019 to increase their margin over gilt yields by 100 basis points (bps) to 180 bps on loans lent to Councils, it is anticipated that alternative providers of finance will enter into the market for lending to councils although this will take time to develop.

3.17 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.

3.18 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.

3.19 Rescheduling any of the Council's current PWLB loans is unlikely to occur as a result of the PWLB applying the 100 bps increase for new borrowing rates and not to premature debt repayment rates. As a result of this action the early repayment penalty (premium) has increased significantly making any opportunites for any debt restructuirng to occur very remote. In the unlikely event any debt rescheduling was done, it will be reported to the Members at the earliest meeting following its action.

3.20 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 and that value for money can be demonstrated.

3.21 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.

3.22 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.

3.23 *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 in accordance with MHCLG regulations to approve an MRP Statement in advance of each year. This Statement details how the Council will set aside annual amounts for the repayment of debt (by reducing the CFR), through a revenue charge MRP and any additional Voluntary Revenue Payments (VRP).

4.2 *The Council is requested to approve the MRP Statement as detailed at Appendix 3.*

5. Investment Strategy

5.1 In accordance with both MHCLG and CIPFA guidelines the meaning of 'investments' has now been extended 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 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. It is easy to forget recent history of counterparties defaulting and ignore market warnings searching for that extra return to ease revenue budget pressures. The Council will not undertake any investment transaction without thoroughly understanding the product and associated risks in full or in any institution which is paying considerably over and above market levels.

5.3 The Council's in-house treasury management team places investments with reference to the outlook for short-term interest rates using monies received in advance of spend requirement and from its balances and reserves which it holds. Greater returns are usually obtainable by investing for longer periods and while most cash balances are required in order to manage the ups and downs of the Council's cash flows, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

5.4 On each occasion when investments are made the primary principle will continue to be the same as that adopted in previous years of **SLY**, **S**ecurity of funds, **L**iquidity followed by **Y**ield.

5.5 Whilst the active use of Ethical investments is a topic of increasing interest to both members and officers, investment guidance, both statutory and from CIPFA, clearly states that all investing must follow the SLY principles with all ethical issues taking a subordinate role. The Council's in-house treasury management team will continue to both follow this principle and monitor the market in order to be able to take advantage of any new investment product which supports this aspect providing it complies with the current Investment credit criteria.

5.6 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. In order to reduce the risk of an institution defaulting, the Council creates and maintains a list of high creditworthy institutions which enables diversification and thereby avoids concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

5.7 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 completed by requiring that each institution included on it has been issued with minimum Long and Short term credit ratings of A- and F1 respectively 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 financial strength of that institution.

5.8 Credit rating information is supplied by LAS, the Council's treasury advisors, on all active counterparties that comply with the criteria above and is available on a real time basis. Any counterparty failing to meet the criteria would immediately be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

5.9 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.

5.10 A full explanation of the credit ratings determining the institutions which the Council will use can be found at Appendix 5.

5.11 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.

5.12 In all instances when funds are being placed, the Council's in-house team will, apart from when it places funds with other local authorities which are predominately unrated and deemed to share the same credit rating as the UK government of AA- and Money Market Funds as the Council only uses AAA+ rated funds, 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 being offered is in-line with levels paid by other institutions in the market for the same period.

5.13 Investment instruments identified for use in the financial year together with institution limits are detailed in Appendix 3.

5.14 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.

5.15 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.

5.16 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.

5.17 The largest UK banks are 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 known as “ring-fencing” and 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.

5.18 The level of the Council’s investments together with the average interest rate, as at 31 December 2019, is provided for reference at Appendix 6.

5.19 *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 annually and details of these are 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%**	**0.17%**

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 2019 the Council’s default rate of its investments placed was 0.010% which is 0.04% below the 1 year benchmark of 0.05%.

- Liquidity – Weighted Average Life (WAL) - benchmark for 2020/21 is set at 6 months, with a maximum of 3 years for cash time deposits;
  - Liquid short term deposits - at least £5m is available within a weeks 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 prepared to assist managing risk and reduce the impact of an adverse movement in interest rate. These indicators have been set at levels which do not restrict day to day activities whilst 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 April 2017, the Council along with several other Greater Manchester councils paid over to GMPF a discounted advance equivalent to 3 years' of employer pension contributions in order to take advantage of the pension fund's wider investment powers. This initial payment will have run its course by 31st March 2020 and another payment consisting of 3 years of discounted employer contributions will be made into the fund in April 2020.

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 was 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 with any potential losses or profits being taken to the account in full in the year they occur. To mitigate against this MHCLG have issued a 5 year override which expires on 31 March 2023 which will enable councils to either arrange for a planned exit or for potential surpluses to be placed into an unusable reserve and applied to overcome those years when a downward revaluation occurs. Whilst 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 there is 1 investment which is effected by this re-classification and that is the CCLA transaction. Whilst this investment generates an excellent return of approximately 4.5% to 5.0% per annum the Council's in-house team will;

- continue to monitor both the monthly valuations received for this investment and the quarterly market forecasts produced to ensure that any potential losses in valuation are kept at worse to a minimum and
- consider setting aside a proportion of the annual interest received into a reserve for use to smooth out any potential losses.

9. Medium Term Financial Plan

9.1 Detailed for reference at Appendix 7 is a headline breakdown of the treasury management budgets for the period 2020/21 – 2022/23 split between Treasury and Non-Treasury activities. Whilst these budgets have been produced using the latest interest rate forecasts and predicted movements in the Council's income and expenditure plans, they will be subject to change due to factors beyond the Council's control i.e. interest rate movements.

10. Recommendations

The Accounts & Audit Committee recommends that:

- Executive note the report and
- Council approves the Treasury Management Strategy 2020/21 – 2022/23 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 is a mandatory report which has been produced in order to comply with Financial Procedure Rules and relevant legislation. The MHCLG Guidance and CIPFA Code do not prescribe any particular treasury management strategy for Councils to adopt and there are an unlimited 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 with an appropriate balance between risk management and cost effectiveness and is recommended by the Corporate Director of Finance and Systems.

Consultation

There are no applicable consultation requirements in respect of this report. 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 2020

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 2019

GLOBAL-

- The International Monetary Fund issued updated forecasts for world growth at 3.2% for 2019 and 3.5% in 2020.
- The trade war between the US and China continues to impact on the major economies of the world and remains a major concern to the financial markets although Donald Trump's proposal to implement tariffs on European cars by mid-November did not materialise.
- The chance of a disruptive no-deal Brexit as the UK looks to leave the EU have dropped sharply after the UK withdrew objections to a customs border in the Irish Sea

UK-

- 2019 was a year of upheaval on the political front with Theresa May resigning as Prime Minister and being replaced by Boris Johnson. In December the 3rd election in 5 years took place and the outcome of this produced a Conservative Government with a working majority of 80.
- The original deadline for the UK to leave the EU of 31 March 2019 did not occur and this was extended to 31 October 2019 which was consequently extended further to 31st January 2020. Following the outcome of the December 2019 general election the Government has a large overall majority and this deal will be passed by this latest date however much uncertainty remains as to the outcome of any trade negotiations.
- Economic growth has been at its slowest annual rate in almost a decade due to the uncertainty from Brexit with a recession only being avoided in quarter 3 when growth was reported at 0.3%. Annual growth is projected to be 1.4% year on year (y/y) for 2019.
- Consumer Price Index (CPI) which started the year off at 1.8% peaked in April and July at 2.1% slightly above the Bank of England's target of 2% before falling to 1.5% in October.
- The Monetary Policy Committee, (MPC) left the Bank Rate unchanged at 0.75% with any potential future movements subject to the outcome of Brexit.
- Unemployment fell from an opening position to 4.0% to 3.8% in September despite the slowdown in growth. Wage inflation also edged down slightly from a high point of 3.9% to 3.8% in August.

Eurozone –

- Growth in the economy was 0.4% in quarter 1 falling back to 0.2% in quarters 2 & 3 and the level of annual growth for 2019 is expected to be in the region of nearly 1.2% y/y.
- The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018 however at its September meeting it cut the deposit rate further from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt.
- CPI started the year off at 1.0% peaking at 1.7% in April before falling to 0.7% in October the lowest level since November 2016.

- Unemployment fell from an opening position of 7.8% to 7.5% in September 2019, the lowest level since July 2008.

US –

- The annual economic rate of growth has slowed in 2019 from the 2018 position of 3.0% and is currently forecasted to be 2.2% for the year.
- Unemployment fell from an opening position of 4.0% in January to 3.6% in October which was a minor increase from the September low of 3.5%.
- CPI inflation fell to 1.5% in February from an opening position off 1.6% then peaked at 2.0% in April before falling back to 1.8% in October.
- The increase in interest rates in December 2018 by The Fed taking them to between 2.25% and 2.50% was the last and in July and September rates were cut by 0.25% on each occasion to 1.75% - 2.00%. A further cut of 0.25% is currently forecast to take place in December.
- The trade war between the US and China continues to depress world growth and this has been seen to have a negative impact in investor confidence.

Other –

- China's economic growth for 2019 is forecasted to grow by 6% y/y, the lowest level since 1992 due to the impact of the continuing trade wars with US and domestic issues.
- Japan's economy, the 3rd largest in the world is estimated to have grown by 1% in 2019 although the county's government debt is at 224% of GDP. For comparison, the equivalent position for the UK is 85.9%.

MAIN ECONOMIC FORECASTS FOR 2020

Producing accurate economic forecasts continues to be an extremely difficult task due to the many external factors which have an impact on them. Forecasters are currently predicting the following levels of activity for the year ahead and these will be liable to change as the year progresses;

Indicator	UK	Eurozone	US	China
Growth Domestic Product	1.0%	1.1%	2.0%	5.8%
Consumer Price Index	2.3%	1.2%	2.0%	2.0%
Unemployment Rate	3.8%	7.3%	3.9%	4.0%
Bank Rate	0.75%	0.0%	1.50%	3.50%

Source - Trading Economics & Organisation for Economic Co-operation and Development

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 2020/21 – 2022/23 as detailed below.

<u>TREASURY PRUDENTIAL INDICATORS AND LIMITS –</u>

In accordance with the current CIPFA Prudential code, the Council is required to produce prudential indicators and limits reflecting the projected 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;

	2019/20 estimate £m	2020/21 estimate £m	2021/22 estimate £m	2022/23 estimate £m
Authorised Limit for External debt				
- Non-Commercial	185.0	185.0	185.0	215.0
- Asset Investments	300.0	500.0	500.0	500.0
- Other long term Liabilities (PFI)	5.5	5.0	5.0	5.0
Total	**490.5**	**690.0**	**690.0**	**720.0**

Authorised external debt limit - This is a key prudential indicator and represents a control on the maximum level of external debt that the Council will require for all known potential requirements. It includes headroom to cover the risk of short-term cash flow variations that could lead to temporary borrowing. This statutory limit as determined under section 3(1) of the Local Government Act 2003 needs to be approved by Council prior to the commencement of each financial year.

	2019/20 estimate £m	2020/21 estimate £m	2021/22 estimate £m	2022/23 estimate £m
Operational Boundary for External debt				
- Non-Commercial	170.0	170.0	170.0	200.0
- Asset Investments	300.0	500.0	500.0	500.0
- Other long term Liabilities (PFI)	5.5	5.5	5.0	5.0
Total	**475.5**	**675.5**	**675.0**	**705.0**

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 and is not a limit.				
	2019/20 estimate £m	**2020/21 estimate £m**	**2021/22 estimate £m**	**2022/23 estimate £m**
Upper limit for Principal sums invested over 1 Year	**110**	**110**	**110**	**110**
Upper Limit for sums invested for over 1 year – these limits are set with regard to the Council's liquidity requirements. Included within this limit are the Manchester Airport Shares which at 31 March 2019 were independently valued at £52.7m, the Church Commissioners Local Authorities Property Investment Fund investment of £5m and Commercial asset loan £17.6m.				
	2019/20 estimate £m	**2020/21 estimate £m**	**2021/22 estimate £m**	**2022/23 estimate £m**
Upper limits on fixed interest rate exposure based on net debt	**8.3**	**12.3**	**16.8**	**18.0**
Upper limits on variable interest rate exposure based on net debt	**1.0**	**2.0**	**2.1**	**2.3**
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 – 2020/21 to 2022/23	**Forecast (31.03.20) %**	**Lower limit %**	**Upper limit %**
Under 12 months	9	0	40
12 months to 2 years	1	0	40
2 years to 5 years	7	0	40
5 years to 10 years	12	0	40
10 years to 20 years	2	0	40
20 years to 30 years	5	0	40
30 years to 40 years	37	0	70
40 years and above	27	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
- this requirement has been complied with in the current year and does not envisage difficulties for future years taking 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 an amount of minimum revenue provision that it considers to be prudent and submit an MRP Statement setting out its policy for the 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 are undertaken to ensure that this policy remains prudent and as at 31 March 2019 the total VRP overpayments were £0.955m and are forecasted to total £2.422m by 31.03.20.
- **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;
- **Expenditure that does not create an asset:** this is where the Council through the Asset Investment Strategy has made equity investment with Joint Venture companies with VRP being provided and calculated on a straight line basis for periods up to 50 years. Whilst this is a departure from statutory guidance for equity it is equivalent to the period allowed for Investment Property;
- **Use of a Capitalisation Direction**: Expenditure incurred in response to the issuance of a Capitalisation Direction by Central Government, MRP will be made over a period not exceeding 20 years, in accordance with the 2018 Guidance;
- **Lending to a third party**: 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.

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 and 6 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 A+ to AA- A- to A	£75m £25m £10m	3yrs 1yr 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
Category 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria.	-	n/a	1day
Category 4 – • Pooled Investment Vehicles: ➢ Money Market Funds ➢ Ultra-Short Dated Bond Funds ➢ Social & Ethical funds	 AAA AA -	(previously £100m per fund) (£20m per fund) (£15m per fund) (£5m per fund)	 3yrs 3yrs 10yrs

	Fitch (or equivalent) – Long Term	Maximum Group Limit	Maximum Time Limit
Category 4 cont. – • UK Government (including treasury bills, gilts and the DMO) • Local Authorities • Supranational Institutions	- - -	(£20m) (£10m per LA) (£20m)	3yrs 3yrs 1yrs
Category 5 – • Local Authority Property Investment fund	-	£10m	10yrs
Category 6 – • Support the Asset Investment Strategy	-	(previously £25m) £50m	5yrs

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 high security and liquid 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. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity. A maximum of £110m 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, Bonds, 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 cont.	Maximum Maturity
Pooled investment vehicles such as money market funds (including the revised categories of Low Volatility Net Asset value and variable Net Asset Value funds) Social & Ethical funds and low volatility bond funds.	1 Year
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.	1 Year

Non-Specified Investments

Investment	Maximum Maturity
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). 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.	3 Years
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.	3 Years
The Council's own bank if it fails to meet the basic credit criteria with balances being kept to a minimum.	1 Day
UK Banks which have significant Government holdings	1 Year
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).	3 Years
The UK Government including Local Authorities and Debt Management Office.	3 Years
Pooled investment vehicles such as money market funds (including the revised categories of Low Volatility Net Asset value and variable Net Asset Value funds) Social & Ethical funds and low volatility bond funds.	10 Years

Investment	Maximum Maturity
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 £52.7m as reported in the 2018/19 Statement of Accounts. It is not envisaged that this type of investment will be undertaken in the future.	Unspecified
Manchester Airport Group – This is in response to the restructuring of the airports existing debt and is included for clarity and transparency purposes only.	Term of loans
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.	10 Years
Support the Asset Investment Strategy - where external borrowing to support the investment would not be in accordance with the CIPFA Prudential Code.	5 Years

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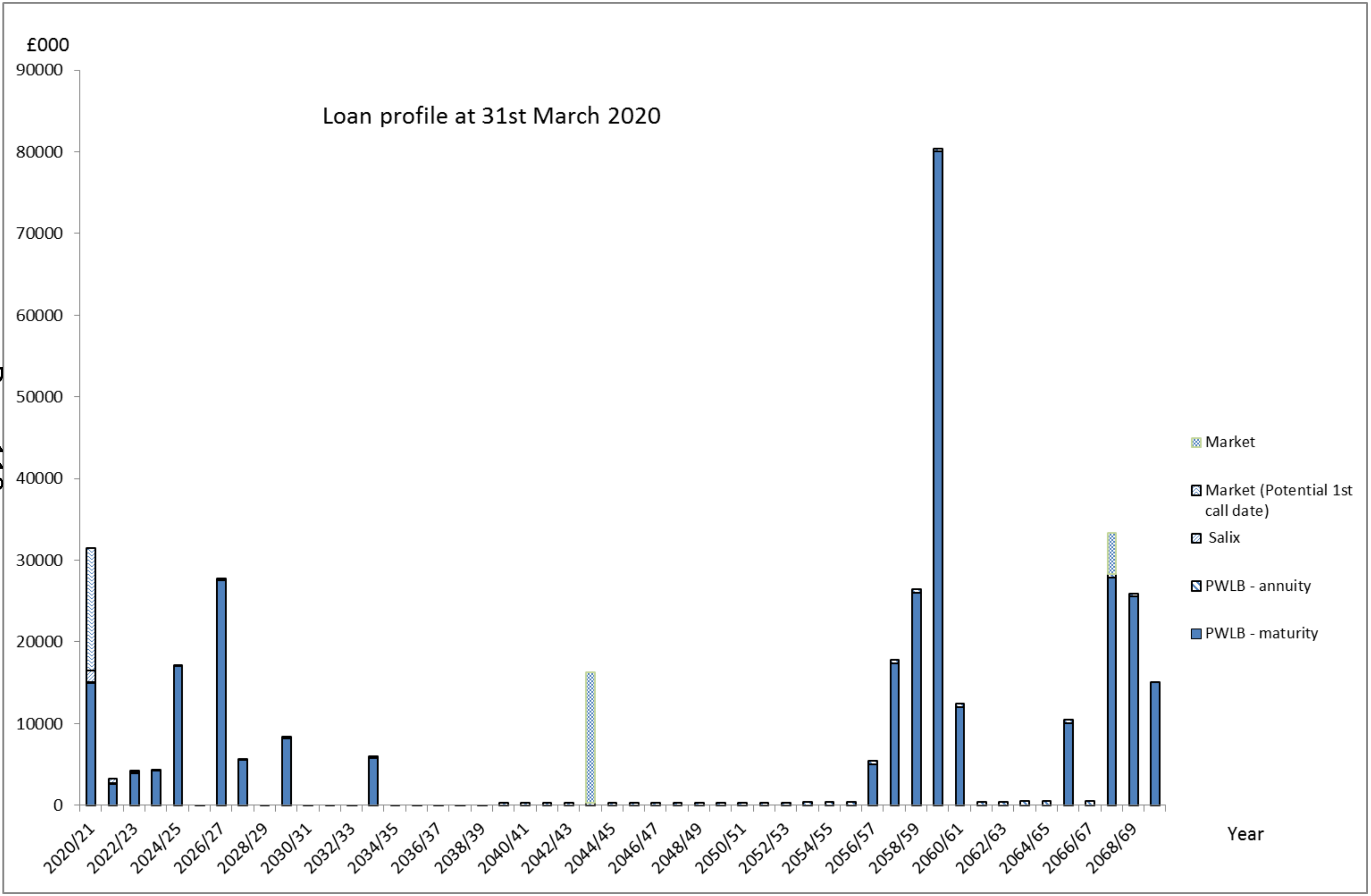

APPENDIX 4

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.

		Credit Rating Agency		
Classification	**Description**	**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**)

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 further 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 of Fitch, Moody's and Standard and Poors long term rating category over the period 1981 to 2018. The Council can generally 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%	0.17%	0.26%	0.36%
AA	0.02%	0.04%	0.09%	0.17%	0.24%
A	0.05%	0.14%	0.26%	0.40%	0.56%
BBB	0.15%	0.42%	0.73%	1.10%	1.47%
BB	0.68%	1.92%	3.34%	4.73%	5.95%
B	2.80%	6.78%	10.40%	13.48%	15.85%
CCC	18.82%	26.40%	31.62%	35.13%	38.19%

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 – December 2019

	Principal £m	Average Rate %
DEBT		
Commercial Programme		
Fixed rate:		
- PWLB	200.8	2.23
Sub-total	***200.8***	***2.23***
General Capital Programme		
Fixed rate:		
- PWLB	121.3	3.08
- Market	23.9	4.21
Sub-total	***144.5***	***3.28***
Variable rate:		
- PWLB	0.0	0.0
- Market	15.0	4.24
Sub-total	***15.0***	***4.24***
Temporary – cash flow		
Fixed rate:		
- Market	5.0	0.67
Sub-total	***5.0***	***0.67***
Total debt	**366.0**	**2.70**
INVESTMENTS		
Internally managed		
Fixed rate	(79.1)	0.98
Variable rate	(14.3)	0.80
Sub-total	**(93.4)**	**0.95**
Externally managed		
Church Commissioners Local Authority	(5.0)	4.77
Asset Investment Programme	(17.6)	n/a
Sub-total	**(22.6)**	**3.98**
Total Investments	**(116.0)**	**1.54**
NET ACTUAL DEBT	**250.0**	

SUMMARY MEDIUM FINANCIAL PLAN 2020/21-2022/23

Non-Treasury items

	2020/21 £000	2021/22 £000	2022/23 £000
EXPENDITURE			
Loan Interest	4,476	4,270	3,664
Loss of Investment interest	791	856	99
MRP	2,156	2,159	2,163
Sub-total	7,423	7,286	5,926
RECHARGES			
Sub-total	(7,423)	(7,286)	(5,926)
NET TOTAL	0	0	0

Treasury items

	2020/21 £000	2021/22 £000	2022/23 £000
EXPENDITURE			
Loan Interest	4,765	4,753	5,329
MRP	5,337	5,525	6,420
Premium	548	548	548
Other – Sale PFI interest etc.	393	380	367
Sub-total	11,043	11,206	12,664
INVESTMENTS			
Interest	(1,599)	(1,262)	(869)
MAG	(7,765)	(7,832)	(7,832)
Sub-total	(9,364)	(9094)	(8,701)
RECHARGES (ex. Non-treasury)			
Sub-total	(143)	(143)	(1,995)
NET TOTAL	**1,536**	**1,969**	**1,968**

APPENDIX 8

NON-TREASURY ACTIVITIES

Details of the actual spend incurred on the Council's non-treasury activities undertaken as at 31st December 2019 are outlined below:

Description	Total £m	Purpose
General		
Manchester Airport Group	19.9	Regeneration – 2 Shareholder loans
Homestep	0.7	Regeneration – Capital loan monies advanced to assist first time buyers to acquire property within Trafford
Town Centre	0.2	Regeneration – Capital loan monies advanced to assist businesses occupy empty high street units within Trafford.
Sub-total	**20.8**	
Asset Investment Property		
Sonova House - Warrington	12.2	
DSG - Preston	17.4	
The Grafton Centre - Altrincham	10.8	
Magistrates Courts - Sale	4.1	
Walthew House Lane - Wigan	13.9	
Sainsbury's Altrincham	25.6	
Former Sorting Office - Stretford	0.8	
The Crescent - Salford	28.6	
Project Devonshire - Manchester	60.0	
Altrincham & Stretford Shopping Malls - Equity contribution Trafford / Bruntwood loan	 25.3 25.3	
K Site Old Trafford - Equity contribution Trafford / Bruntwood loan	 10.5 10.5	
Brown Street Hale	2.3	
Sub-total	**247.3**	
TOTAL	**268.1**	

TRAFFORD COUNCIL

Report to: **Executive and Council**
Date: **19 February 2020**
Report for: **Decision**
Report of: **The Executive Member for Finance and Investment and the Corporate Director Finance and Systems**

Report Title

CAPITAL STRATEGY, CAPITAL PROGRAMME AND PRUDENTIAL & LOCAL INDICATORS 2020/23

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 – Section 1) - The level of resources forecasted to be available for general capital investment purposes during the period is £166.13m. The proposals included in this report will result in a Capital Programme totalling £168.72m. This equates to £2.59m 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 – Section 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 was previously approved at a level of £400m but it is now recommended that this is increased by £100m to give a total fund value of £500m to allow headroom to cover the cost of local regeneration schemes.

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.

Details of Block Budget Allocations (Appendix 4) – Provides individual details of schemes that are covered by block allocations.

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 £368.72m for the period 2020/23, comprising £168.72m in respect of the General Capital Programme and £200.00m for the Investment Fund
5. approve additional prudential borrowing of £6.92m to support the general capital programme, as detailed in Paragraph 11, and £100m to support the Asset Investment Strategy; 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: Frank Fallon

Extension: 4170

Background Papers – None

BACKGROUND

1. The Capital Strategy focuses on the core principles that underpin the Council's capital programme and gives a position statement with regards to capital expenditure and the resources available. It also reviews 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.

2. The three year Capital Programme 2020/23 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.

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	In approving the detail of schemes proposed through the capital programme the Council will need to ensure that any decisions are made fully in accordance with its Public Sector Equality Duty.
Sustainability Implications	The indicative capital programme includes a number of proposals that will aid the Council in its environmental sustainability objectives, including £35.9m for the Mayor's Cycling and Walking Challenge Fund and £482k tree replacement programme.
Staffing/E-Government/Asset Management Implications	A number of improvement schemes are being undertaken in 2020/23.
Risk Management Implications	Assumptions have been made on land sale projections and the level of receipts to be generated in 2020/21 to 2022/23. 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 Asset Investment Strategy 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 & Wellbeing Implications	The proposed capital programme includes a number of schemes that seeks to provide a positive impact on the Health and Wellbeing of

	Trafford's residents, including sports and leisure improvements, home adaptations as part of the Disabled Facilities Grant, tree replacement programme and improvements to play area infrastructure across the borough.
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 £368.72m for the period 2020/23, comprising £168.72m in respect of the General Capital Programme and £200m for the Investment Fund, inclusive of the proposed £100m addition,
- approve additional prudential borrowing of £6.92m to support revenue generating investment opportunities as detailed in Paragraph 11; and £100m to support the Asset Investment Strategy; 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 and 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 2020/23. 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 

Appendix 1

TRAFFORD COUNCIL

Capital Strategy


Contents

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.

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 is 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 and 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 the reshaping of Council services and delivery of services "in-house" where appropriate
- 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:-

- Regeneration of Strategic Locations including, Stretford Civic Quarter, Sale Town Centre development and the Stretford and Altrincham Town Centre Masterplans
- Development of the Bee Network/cycle schemes
- Leisure Centre Strategy
- Investment in Highways and Infrastructure
- 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
- Increase the availability and range of suitable housing options for older people within Trafford and improve the quality and standard of existing housing.
- Affordable Housing
- Appropriate levels of housing measures to address spatial framework
- Major infrastructure schemes to support new housing development, including Carrington Relief Road - A1 Route
- Parks, greenspaces and tree planting programme
- 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 2020-2023 Capital Programme, associated financing and prudential borrowing requirements is attached as an appendix to this strategy.

A developing theme for this and future capital programmes will be how our capital investment plans support the Council's ambition of achieving carbon neutrality by 2038.

In delivering both the Capital Programme and maintaining a mixed investment portfolio, opportunities to improve the carbon footprint will need to be explored. This will be done through exploring alternative delivery solutions around construction, purchase of green assets and working with potential delivery partners to assess their green credentials. Also as part of the ongoing review of the investments portfolio, analysis of any potential carbon impact will be undertaken. This will then formulate, if required, a plan of action that will need to be delivered to improve the carbon footprint of the investments that are held.

Within the indicative capital programme at Annex 1 are a number of schemes supporting the Council's carbon neutrality objectives, including substantial investment through the Mayor's challenge fund in new cycling and walking schemes, a significant investment in parks and open spaces, including new tree planting. There are also proposals to reduce the carbon emissions at Altrincham Crematorium through the introduction of two resomation cremators.

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 Strategy

CORPORATE PLAN

The corporate plan describes Trafford Council's vision and priorities for the borough and the priorities we have identified as an organsiation 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 communitiues and our partners to deliver change to Trafford in line with these commmitments.

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 and everyone in Trafford

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 and adopted by the NHS Trafford CCG our locality health provider. 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 Housing and Regeneration, chaired by the Corporate Director for Place and comprising directors and senior council officers meets regularly 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 Housing and Regeneration
- ❖ Chief Executive
- ❖ Corporate Director, Place
- ❖ Corporate Director of Finance and Systems
- ❖ Corporate Director of Governance and Community Strategy
- ❖ Deputy Director of Finance
- ❖ 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:

- ❖ 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 Asset Investment Strategy, along with promoting economic growth in the borough, supports the revenue budget. Reductions in government funding over recent years means that the authority has been under growing pressures to incur capital expenditure on investments with the objective of realising revenue funding streams to assist with delivering public services. With the revenue funding gap expected to continue over the medium term the income streams from these investments are imperative.

The Asset Investment Strategy has been developed in conjunction with external advisors CBRE, based on outcomes the Council wishes to achieve and with reference to corporate priorities and risk appetite. A revised Investment Strategy and Investment Review is currently being prepared, to be reported to Executive in March, which will, as a matter of priority be reviewed to ensure that it reflects the current market conditions. This will include potential Brexit impacts, risks of increased cost of financing, and which areas the Council will focus its efforts in reviewing the balance achieved between the twin objectives of regeneration and achieving income. This will also have an increasing emphasis on how schemes contribute to deliver on carbon neutrality in line with Council ambitions. 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.

The objectives to be achieved through three main investment types:-

- ❖ Direct Investment (Medium to high risk and return),
- ❖ Development Debt (Medium risk; medium to high return), or
- ❖ Property 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 Investment Management Board is a cross-party decision making board consisting of:

- ❖ 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 and Investment

- Executive Member for Housing and Regeneration

The financial performance of the investment portfolio and of each property within the portfolio is measured and reported on a bi-monthly basis by an officer group to the Executive. Annual reviews of external revaluations and net yield generated are 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.

In November 2019 CIPFA issued revised guidance around councils' commercial investment activity which has been reviewed and will be taken into account when considering future opportunities. This includes assessing the proportionality of the size of the Council investment portfolio, the appropriateness of any investments and the Council's legal powers that allow it to invest. Further information on the proportionality of the portfolio is included in this report in Appendix 3 as part of the Prudential and Local Indicators.

The Council will also ensure that future investments are in keeping with the Council's objective and policies around environmental sustainability.

TREASURY MANANGEMENT

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:

http://www.trafford.gov.uk/about-your-council/budgets-and-accounts/revenue-and-capital-budgets.aspx

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. This process will take account of the risk associated with changes in interest rates (for example, government borrowing rates were increased by 1% overnight on 9th October 2019).

The bulk of Council borrowing is linked to the Asset Investment Strategy, 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 Council receives from the sale of surplus assets. In line with the Local Government Act 2003 these 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 but this approach has changed significantly in recent years. The process of review and disposal continues, however rather than the traditional direct sale of surplus assets which only generates a capital receipt the council can also look 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 within the overall resource envelope agreed by Council.
- All new investments within the asset investment strategy are approved by the Investment Management Board and/or the Executive (where appropriate).
- Responsible Officers are assigned projects in line with their responsibilities
- The Strategic Place Shaping Board is led by the Executive Member for Housing and Regeneration, and chaired by the Corporate Director for 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 Decisions.

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.

Appendix 2

Capital Programme & Prudential Indicators

CURRENT CAPITAL PROGRAMME

1. The current value of the three year programme, including re-profiled expenditure from 2018/19 and other changes as reported in the period 8 budget monitoring report is £473.18m, including £262.77 in 2019/20.

2. The Programme can be split into two distinct areas, firstly the General Capital Programme, worth £176.04m, which aims to ensure that the Council can deliver its services in line with the priorities included within the Capital Strategy and secondly the Asset Investment Fund, worth £297.14m, 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 2020/21	**2019/20** £m	**2020/21** £m	**2021/22** £m	**Total** £m
Service Analysis:				
Children's Services	13.68	15.16	7.35	36.19
Adult Social Care	3.12	2.86	2.86	8.84
Place	45.58	44.03	37.73	127.34
Governance & Community Strategy	0.74	0.42	-	1.16
Finance & Systems	2.51	-	-	2.51
General Programme Total	**65.63**	**62.47**	**47.94**	**176.04**
Asset Investment Fund	197.14	100.00	-	297.14
Total Programme	**262.77**	**162.47**	**47.94**	**473.18**
Resourcing :				
Capital Grants	18.39	27.82	19.66	65.87
External contributions	12.98	6.62	1.50	21.10
External Resources	**31.37**	**34.44**	**21.16**	**86.97**
Reserves & revenue	3.83	-	-	3.83
Borrowing(*)	215.04	125.30	10.96	351.30
Receipts – Land Sales Programme	1.30	12.84	14.40	28.54
Internal Resources	**220.17**	**138.14**	**25.36**	**383.67**
Resourcing total	**251.54**	**172.58**	**46.52**	**470.64**
Surplus / (Deficit)	**(11.23)**	**10.11**	**(1.42)**	**(2.54)**

(*) Borrowing level includes £297.14m for Asset Investment Fund

SECTION 1 - GENERAL CAPITAL PROGRAMME

2019/20 PROGRAMME

3. The current forecasted expenditure for 2019/20 to 2021/22 is £176.04m of which £65.63m relates to 2019/20 and will deliver a number of key projects including:-

   - School Places and condition works of £13.08m
   - Adult Social Care of £3.11m
   - Corporate landlord investment of £1.66m
   - Town centre regeneration and investment of £7.01m
   - Leisure Centre Strategy of £8.48m
   - Highways improvements of £23.34m
   - Parks and Open Space improvements of £3.21m
   - Housing Services of £1.62m
   - ICT investment of £2.51m
   - Other investment of £1.61m

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, in the next three years, from discretionary resources, i.e. capital receipts and prudential borrowing. This included uncommitted schemes in the existing programme giving priority to:-
     - invest to save schemes or those which reduce revenue liabilities,
     - schemes of a mandatory / contractual nature and
     - schemes that meet Council priorities.
   - A full review of all bids was undertaken by the Corporate Leadership Team, with bids prioritised and approved based on available funding
   - 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 RESOURCES UPDATE 2020/23

5. 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 2019/20 programme. This indicates total resources of £166.13m, an increase of £47.04m.

Table 2 – Changes to available resources	Current £m	Additions £m	Total £m
Capital Grants	47.47	43.30	90.77
External contributions	8.12	1.17	9.29
External Resources	**55.59**	**44.47**	**100.06**
Borrowing	36.25	6.92	43.17
Revenue & Reserves	0.00	0.45	0.45
Receipts – Land Sales Programme	27.25	(4.80)	22.45
Internal Resources	**63.50**	**2.57**	**66.07**
Resourcing Total	**119.09**	**47.04**	**166.13**

External Resources

6. 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.

7. **Capital Grants - £90.77m** : These include grants from central government departments and agencies and the major areas include :-
   - **£21.89m** for schools related investment from the Department for Education.
   - **£6.53m** from the Ministry of Housing, Communities and Local Government for disabled facilities grants
   - **£0.43m** from Department for Digital, Culture, Media & Sport as part of a Greater Manchester wide award for a full-fibre initiative
   - **£7.20m** from the Department of Transport to support investment in highways and infrastructure
   - **£12.48m** from Homes England to support infrastructure improvements
   - **£6m** from Transport for Greater Manchester to assist with infrastructure schemes.
   - **£35.90m** from the Mayors Challenge Fund for improving the network for pedestrians and cycle users.
   - **£0.34m** from the Department for Education create places and to improve facilities for pupils with special educational needs and disabilities (SEND).

8. Included in the estimate of grants available the opportunity has been taken to adjust allocations for 2020/21 and 2021/22 and make assumptions as to the level of grant expected in 2022/23 resulting in additional resources of **£43.30m**.

Table 3 : Updated Level of Capital Grants	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
New notifications/ Assumptions				
• Schools Devolved Formula	-	-	0.36	0.36
• Schools Maintenance	0.01	0.01	1.77	1.79
• Disabled Facilities	0.16	0.16	2.18	2.50
• GM Full-fibre Initiative	0.43	-	-	0.43
• Highways Structural Maintenance	-	-	1.87	1.87
• Highways - Pot Hole Funding	(0.04)	(0.04)	0.14	0.06
• Highways Incentive Fund	-	-	0.39	0.39
• Mayors Challenge Fund	4.84	13.99	17.07	35.90
Total	**5.40**	**14.12**	**23.78**	**43.30**

9. **External Contributions - £9.29m** : 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 :
    - **£2.37m** contribution to support infrastructure work for the development at Trafford Waters
    - **£4.75m** 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.
    - **£1.12m** contributions to support proposed improvements in leisure facilities.
    - **£1.05m** of contributions to support a range of other projects.

Internal Resources

10. 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.

11. **Prudential Borrowing - £43.17m:** Current investment financed from borrowing is £36.25m and includes:
    - £33.68m for development of new leisure centres in Stretford and Altrincham.
    - £2.57m 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 has been assessed and a number of schemes can support being funded in this manner; albeit business cases will be kept under review and assessed against any changes in interest rates prior to final commitment on a project. The proposals put forward for inclusion in the Capital Programme, which total **£6.92m**, are:

    - New Chapel and installation of two Resomation Cremators £1.95m
    - Purchase and Refurbishment of Care Home £4.00m
    - Other schemes £0.97m – a range of borrowing to support other projects.

12. 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. This is true for the Council's direct development schemes, such as at the Brown Street or Sale Magistrate Court developments; in these instances the interest incurred would be capitalised as part of the scheme.

13. Based on the current capital programme spend profile there is potential if all schemes are completed in line with programme that an element of temporary borrowing will need to be undertaken until general capital receipts are realised. This position will be monitored throughout the year and any short term borrowing costs will be reported in budget monitoring reports. A small allowance is included within earmarked reserves to cover such costs.

14. **Reserves and Revenue – £0.45m** : There are currently a range of projects supported by the application of reserve including:
    - **£0.20m** for investment in Trafford Town Hall for heating, cooling and DDA works
    - **£0.12m** in support of a range of security measures at Trafford Town Hall and Sale Waterside
    - **£0.13m** for the provision of artificial sports surface replacement

15. **Capital Receipts – £22.45m** : A review of the sites included in the current Land Sale Programme has been undertaken and an estimate for 2022/23 has been built into this programme. The land sales programme is a subject of a further report to the Executive. Total capital receipts over the next three years are expected to be £33.68m, of which £11.23m is required to support a funding shortfall in 2019/20, giving a balance of £22.45m available to support the 2020/23 programme.

16. **Self-Development Sites** - Included in the estimate of receipts of £33.68m is £21.65m from the sites that have been identified for self-development by the Council.

17. The table below gives the current position of capital receipts for 2020/21 to 2022/23:

Table 4 : Capital Receipts	**2020/21** £m	**2021/22** £m	**2022/23** £m	**Total** £m
Land Sales Programme	4.75	4.67	3.19	12.61
Self-development Returns	2.10	14.45	5.10	21.65
S.106 Release	0.65	-	-	0.65
Grant Repayments	0.07	0.07	0.07	0.21
Less costs :				
Disposal costs / MRP allowance	(0.49)	(0.50)	(0.45)	(1.44)
Total Estimated Receipts	**7.08**	**18.69**	**7.91**	**33.68**
Amount required to support estimated deficit in 2019/20	(7.08)	(4.15)	-	(11.23)
Net receipts available to support 2020/23 capital programme	**0.00**	**14.54**	**7.91**	**22.45**

INDICATIVE CAPITAL PROGRAMME

18. The value of the indicative three year Capital Programme is £168.72m and a summary shown in the table below, with detailed analysis shown in Annex 1. At this stage the figures for 2020/21 are known in detail, whereas the resource position for 2021/22 and 2022/23 is less certain, but these will be updated as resources are confirmed.

Table 5: Capital Programme and funding	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget Total
Investment :	£m	£m	£m	£m
Children's Services	15.19	5.98	2.13	23.30
Adult Social Care	5.13	5.83	2.97	13.93
Place	40.01	47.81	41.09	128.91
Governance & Community Strategy	0.42	-	-	0.42
Finance & Systems	1.23	0.75	0.05	2.03
Place	0.13	-	-	0.13
General Programme Investment	**62.11**	**60.37**	**46.24**	**168.72**
Funding :				
Grants	33.22	33.77	23.78	90.77
External Contributions	7.37	1.65	0.28	9.29
Revenue & reserves	0.33	-	0.12	0.45
Prudential Borrowing	15.46	20.90	6.80	43.17
Capital Receipts available	-	14.54	7.91	22.45
Total Funding	**56.38**	**70.86**	**38.89**	**166.13**
Surplus / (Deficit)*	**(5.73)**	**10.49**	**(7.35)**	**(2.59)**

*In the event that there is a financing deficit in year, then this could entail short-term borrowing costs which will be financed from the Major Projects earmarked reserve.

19. 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.

20. 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.

21. In order to reduce these delays attached, at Appendix 4, is a list of the schemes to be undertaken in 2020/21 for the areas of the programme covering :
    - Public Building Repairs and Compliance Programme - £0.37m
    - Integrated Transport Programme - £0.23m
    - Highways Structural Maintenance (including street lighting) - £4.10m
    - Greenspace Programme - £0.91m.

22. **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.

23. **Integrated Transport Programme** – The programme of schemes to be undertaken in 2020/21 has been compiled in line with the adopted Highways Infrastructure Asset Management Plan (HIAMP). The proposed schemes cover the following areas:
    - Collision Analysis
    - Dropped crossing programme
    - Minor Traffic Management schemes
    - Traffic Regulation Order Programme
    - Sevenways, Stretford
    - Borough-wide - Boundary / Village Entry Signs

24. **Highways Structural Maintenance** – The programme of schemes to be undertaken in 2020/21 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.

25. 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.

26. Mayors Challenge Fund – Is a programme of work to deliver the walking and cycling element of ‘Our Network’ plan to transform Greater Manchester, Trafford have been successful in a bid based process with £35.90m being allocated to deliver 6 tranches of work.

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.

28. Opportunities for increased investment in the Highways Programmes for 2021/22 and 2022/23 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 in February 2019 an addition £100m was approved into the programme to continue to develop 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 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 to date thirteen transactions have been agreed by the Investment Management Board at a total capital cost of £373m with actual costs incurred totalling £103m by the end of 2018/19. This investment to date has already has provided a net benefit to support the revenue budget in 2018/19 of £1.67m and is forecast to provide £4.76m in 2019/20.

31. The current level of commitment for 2019/20 stands at £252.52m and relates to:

    a. The purchase of the K-Site, Stretford was completed in April 2018 and a joint venture company with Bruntwood was set up to progress the development of the site. Works on the university building are now complete with the first intake of students in September 2019. The joint venture is now exploring options and opportunities for the remainder of the site.

    b. The residential development of the Brown Street site in Hale is being undertaken at a gross cost of £7.16m, inclusive of capitalised interest financing costs of £153k. The projected development value will be £8.81m, giving a net surplus of approximately £1.65m which is in line with the financing assumptions for the overall capital programme.

    c. The fund is providing three debt facilities funded from PWLB borrowing; one of £60.80m to a developer for the construction of a new residential development at The Crescent, Salford, £60.00m in respect of the CIS building, Manchester and £67.50m in respect of the construction of a new headquarters for the HUT Group. The provision of these facilities was approved by the Investment Management Board as compliant with the Investment Strategy objective of delivering a financial return to support the Council's revenue budget in addition to providing regeneration to the wider Greater Manchester area.

    d. On the 15th of October, the Council purchased the Stretford Mall and the Stamford Quarter, Altrincham, through a joint venture with Bruntwood. This had a total cost of £51.05m, with the cost split between the two partners 50:50. As part of the arrangement, the Council has provided a debt facility to Bruntwood for its share of the cost, which will provide a further revenue return to the Council.

32. The cost of acquisition of Sale Magistrates Court is included within the Investment Fund. A procurement exercise is currently in progress to appraise options for a residential development on the site. Once the final option has been identified, the costs of the scheme will also be included in the fund until a capital receipt is realised. The options for development will be reported to a future Executive Committee meeting.

33. In addition to the capital commitments listed in the following table, the Investment Management Board has also approved the Council to provide a debt facility of £17.62m secured against a portfolio of properties in Manchester City Centre, known collectively as Albert Estate. This facility is funded through surplus cash balances and so is a part of the Council's Treasury Management Strategy, rather than a capital investment.

Table 6 : Asset Investment Fund	**Asset Category**	**Prior years spend** £m	**Current Commitment** £m	**Total** £m
Total Investment Fund				***400.00***
Capital investments				
K Site, Stretford:- Equity in Trafford Bruntwood LLP Development Loan to Bruntwood	 Equity Debt	 9.10 9.10	 3.15 3.15	 12.25 12.25
Sonova House, Warrington	Acquisition	12.17		12.17
DSG, Preston	Acquisition	17.39		17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	Acquisition	10.84		10.84
Trafford Magistrates Court	Development	4.07		4.07
The Fort, Wigan	Acquisition	13.93		13.93
Sainsbury's, Altrincham	Acquisition	25.59		25.59
Brown Street, Hale	Development	0.66	6.50	7.16
The Crescent, Salford	Debt		60.80	60.80
CIS building, Manchester	Debt		60.00	60.00
Stretford Mall & Stamford Quarter: Streford Mall, Equity Stamford Quarter, Equity Acquisition loan to Bruntwood	 Equity Equity Debt		 8.61 16.92 25.89	 8.61 16.92 25.89
The Hut Group	Debt		67.50	67.50
Total Capital Investments		**102.85**	**252.52**	**355.37**
Treasury Investments:				
Albert Estate	Debt		17.62	17.62
Total Treasury Investments		**0.00**	**17.62**	**17.62**
Total Investments		**102.85**	**270.14**	**372.99**
Balance available				**27.01**

34. The Strategy is being continually monitored and updated 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.

35. 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 £500m. This will initially be utilised to fund deliver development schemes such as the Grafton Centre and Sale Magistrates Court site.

PRUDENTIAL AND LOCAL INDICATORS

36. 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.

37. All the indicators take account of the proposals in this report and a list of Prudential and Local Indicators is included at Appendix 3.

2020/2023 INDICATIVE CAPITAL PROGRAMME					
DESCRIPTION	Council Priority (See key at end)	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Schools					
Worthington Primary School		1.35	0.43		1.78
Stamford Park Schools		5.39	1.73		7.12
Sale High School		0.67	0.22		0.89
Blessed Thomas Holford College		4.59	1.47		6.06
Devolved Formula Capital		0.86	0.36	0.36	1.58
Capital Maintenance Grant		1.77	1.77	1.77	5.31
Delamere School – Hydrotherapy Pool		0.29			0.29
Longford Park School – MUGA and building adaptations		0.05			0.05
Sub-total		**14.97**	**5.98**	**2.13**	**23.08**
Children's Services					
Hayeswater Centre – Improving outdoor provision		0.03			0.03
Youth Services – Street Talk Mobile Unit		0.04			0.04
Liquid Logic – Children's & Delegation Portals		0.15			0.15
Sub-total		**0.22**			**0.22**
Adults Social Care					
Disabled Facility Grants		2.88	2.88	2.87	8.63
Assistive Technology/Technology Innovation		0.10	0.10	0.10	0.30
Right Care For You		0.05	0.05		0.10
Care Home – Purchase		1.40			1.40
Care Home – Refurbishment		0.60	2.00		2.60
Shawe Road, Urmston – Complex Needs (Change of use)			0.80		0.80
Liberty Protection Safeguards (Liquidlogic updates)		0.10			0.10
Sub-total		**5.13**	**5.83**	**2.97**	**13.93**

	Council Priority (See key at end)	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Place					
Town Centres Loans Fund	£	0.10			0.10
Business Loan Scheme	£	0.15	0.10		0.25
Altrincham Town Centre – Public Realm	£	2.75	0.50		3.25
Stretford Town Centre – Public Realm	£	1.50			1.50
Greater Manchester Full Fibre		0.43			0.43
Manchester Airport Investment		1.90			1.90
Trafford Waters, Trafford Park - Infrastructure		2.37	4.08		6.45
Public Building Repairs and Compliance Programme (Page 32)	✓	0.37	0.37	0.37	1.11
Sale Waterside – Kitchen Improvements	✓	0.10			0.10
Sale Waterside – Shower and changing facilities	✓	0.03			0.03
Trafford Town Hall – Heating and cooling system	✓	0.15			0.15
Trafford Town Hall and Sale Waterside – Security	✓	0.13			0.13
Trafford Town Hall – DDA Works	✓	0.05			0.05
Altrincham Leisure Centre	♡	6.86	10.00	5.00	21.86
Stretford Leisure Centre	♡	3.97	7.00	13.00	23.97
Leisure Centre – Essential Safety and Compliance Work	♡	0.27	0.27	0.15	0.69
Integrated Transport Schemes (Page 33)		0.23	0.19	0.18	0.60
Mayors Cycling and Walking Challenge Fund		4.84	13.99	17.07	35.90
Highways Structural Maintenance (Inc Pot Hole & Highways Incentive grants) (Page 34)		3.45	3.25	3.10	9.80
Street Lighting (Page 36)		0.65	0.65	0.65	1.95
Carrington Relief Road		8.40	6.00		14.40
Pet Crematorium		0.06			0.06
New Chapel and Installing resomation cremators			1.00	0.95	1.95
Parks Infrastructure		0.07	0.07	0.08	0.22
Countryside Access – Infrastructure & Biodiversity		0.04	0.04		0.08

	Council Priority (See key at end)	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Play Area Refurbishments		0.08	0.07	0.08	0.23
Parks & Open Space, Outdoor Sports & RRF - S.106 Funded		0.72	0.16	0.14	1.02
Football Facility Provision		0.25			0.25
Sports Provision – Artificial surface replacement				0.25	0.25
Parking – Legacy Signs Management		0.02			0.02
Assistance to Owner Occupiers		0.04	0.04	0.04	0.12
Housing Standards / Empty Property Initiatives		0.03	0.03	0.03	0.09
Sub-total		**40.01**	**47.81**	**41.09**	**128.91**
Governance & Community Strategy					
CCTV Transformation Programme - Phase 2	✓	0.42			0.42
Sub-total		**0.42**	**0**	**0**	**0.42**
Finance & Systems					
Civica - New Web Front-end	✓	0.05			0.05
ICT Services	✓	0.33	0.15	0.05	0.53
Office 365 - Implementation, training etc.	✓	0.35	0.10		0.45
Cyber Resilience (link to Office 365)	✓	0.20			0.20
Development / Low Code Solution	✓	0.15	0.15		0.30
Digital Integration Solution	✓	0.15	0.15		0.30
Improved Digital Resilience	✓		0.20		0.20
Sub-total		**1.23**	**0.75**	**0.05**	**2.03**
People					
GMSS - I Tent G-cloud system upgrade	✓	0.13			0.13
Sub-total		**0.13**			**0.13**
GENERAL PROGRAMME TOTAL		**62.11**	**60.37**	**46.24**	**168.72**
Capital Investment Portfolio		200.00	0.00	0.00	200.00
TOTAL INVESTMENT		**262.11**	**60.37**	**46.24**	**368.72**

Building Quality, Affordable and Social Housing

Pride in Our Area

Health and Wellbeing

Green and Connected

Successful and Thriving Places

Targeted support

Children and Young People

Appendix 3

Prudential and Local Indicators – Estimates 2020/23

This section sets out the prudential indicators and local indicators for the Capital Programme and Asset Investment Strategy in accordance with the CIPFA Prudential Code, which are designed to support the decision making on affordability, prudence, sustainability and professional good practice.

It is required by Part 1 of the Local Government Act 2003 and related CIPFA Prudential Code for Capital Finances in Local Authorities that the Council set borrowing limits, which will be done as part of the Treasury Management Strategy and the prudential indicators dealt with in this report before the forthcoming year.

The Prudential Code was revised in 2017 and the major change is the requirement for local authorities to look at capital expenditure and investment plans in light of the overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the authority.

The purpose of this report is to set the prudential and local indicators for Trafford for the three year period beginning 2020/21

All the indicators will be constantly monitored throughout the year. If there appears to be a danger that any of the prudential indicators will be breached for a sustained period of the time, this will be reported to Council at the earliest opportunity.

Capital Prudential Indicators

	2019/20 Revised £m	**2020/21 Estimate** £m	**2021/22 Estimate** £m	**2022/23 Estimate** £m
Capital Expenditure:				
General Programme	65.63	62.11	60.37	46.24
Investment Strategy	197.14	200.00	0.00	0.00
Capital expenditure - the table above shows the estimated capital expenditure to be incurred for 2019/20 and the following three years. Any forecasts made will vary in line with Government allocation, if any, and as such any forecasts will be updated via the capital monitoring reported through the year.				
Capital Financing Requirement as at 31 March	462.28	669.54	685.21	683.72
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	4.5%	6.1%	5.8%	6.0%

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

The code requires that the investment strategy includes quantitative indictors that will allow members and the public to assess the authorities total risk exposure as a result of it investment decisions. The indicators are used at the Authorities discretion and will reflect local risk appetite and capital investment strategy.

Local Indicators for the Asset Investment Strategy	2019/20 Revised £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Gross Commercial Income	8.09	17.20	13.65	11.85
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	2.41	7.43	4.60	3.51
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	3.04	5.27	5.13	3.76
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)	1.33	2.16	2.16	2.16
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	1.07	1.93	1.66	0.89
Risk Reserve - this is the amount of income set aside to reserve as contingency in the event of a reduction in commercial income levels.				
Cumulative Investment Reserve	1.26	3.18	4.84	4.45
Cumulative Risk Reserve - this is the cumulative amount of reserve set aside, after annual contributions and deductions, as contingency in the event of a reduction in commercial income levels.				
Gross Commercial Income as proportion of Net Budget	4.93%	10.16%	7.54%	6.20%
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.

Proportionality

There are two main aspects to proportionality that need to be considered for the whole investment portfolio:

- The extent to which the Council's revenue budget is reliant on income from investments
- The value of the Council's investment portfolio that is made up of investment property

Proportionality for the authority will depend on the risk that the authority is exposed to in relation to its investment portfolio and as a minimum there needs to be an indicator set for the ratio of commercial income to net service expenditure.

Where schemes are more complex in nature the following assessment if appropriate will be made based on weighted average expected losses:

- Identification for each investment opportunity of the substantial loss events that could take place that could have a revenue impact
- Obtaining an estimate from a suitable qualified or experienced person of the range of losses that could take place and the probability of each loss event taking place.
- Identify if there are any earmarked reserves or provisions that are being made to negate risk items.

Once this information has been established calculations are carried out to identify potential revenue risks that will need to be considered as part of the decision making process and what can be done to mitigate areas of risk that are of concern.

Work is being done with external partners who have specialism in this area to access the factors of risk and probability of risk events occurring and to ensure that the appropriate levels in the risk reserves are maintained.

Block Budget Allocations **Appendix 4**

Public Buildings Repairs and DDA Compliance Programme 2020/21	
Location	**Value £000**
Ascot House, Sale	133
Broome House, Old Trafford	106
Chapel Road, Sale	12
Denzel Gardens, Altrincham	13
Unscheduled H&S Works	36
Public Building Repairs Programme Total	**300**
DDA - Compliance with the Equalities Act 2010	70
Public Buildings Repairs and DDA Compliance Programme 2020/21	**370**

Integrated Transport Programme 2020/21	
Description	**Value £000**
Collision Analysis	40
Traffic Regulation Orders	15
Minor Works	50
Dropped Crossing Programme	25
Sevenways, Stretford	20
Glebelands Road, Sale	40
Boroughwide – Boundary/village entry signs	35
Integrated Transport Programme Total	**225**

Highways Structural Maintenance Programme 2020/21	
Location	**Value**
Asset Management	**£000**
Large Scale Patching	300
Public Rights of Way	63
Drainage	320
Markings, Signs and Street Furniture	100
Vehicular safety barriers and Pedestrian guardrail	100
Cycleways - Resurfacing Programme	60
Footway Resurfacing Programme	170
Joint Treatment and over banding	100
Surveys	70
Serviceability Repairs	75
Advanced Design	55
Highway Trees	50
Asset Management Total	**1,463**
Surface Dressing / Micro Asphalt	**£000**
A56 Cross Street, Priory	126
Moss Lane, Hale Central	27
Great Stone Road, Gorse Hill	63
Flixton Road, Bucklow St. Martins	147
Surface Dressing / Micro Asphalt Total	**363**
Highways Resurfacing	**£000**
Braemar Avenue, Stretford	62
Barton Road - Northbound, Davyhulme West	29
Ashburton Road West & Ellesemere Circle, Davyhulme East	90
Arthog Road , Hale Barns	38
Gorsey Lane, Altrincham	46
Highways Resurfacing Total	**265**

Location	Value
Highways Reconstruction	**£000**
Black Moss Road, Bowdon	220
Grove Lane Service Rd, Hale Barns	31
Mosley Road, Gorse Hill	45
Carrington Lane, Bucklow St Martins	228
Charcoal Road, Bowdon	55
Barton Road - Southbound, Davyhulme East	94
Roaring Gate Lane, Hale Barns	60
Glebelands Road, Ashton on Mersey	43
Carrington Lane, Bucklow St Martins	12
Highways Reconstruction Total	**788**
Structures	**£000**
Bridge Inspections (GI and PI)	75
Bridges Asset Management	20
Assessment/Studies/Advanced Design	40
Bridge Minor Works	60
Sale Canal, Bridge - Metrolink station	40
Sir Matt Busby Way Canal Bridge, Stretford	30
Altrincham Bridgewater Canal Bridge,	50
Graythwaite West, Hale Barns(Footbridge replacement)	70
Ashton Bridge, Carrington Spur (wards: Bucklow St.Martin, Ashton on Mersey and Urmston boundary)	135
Church St Retaining Wall, Altrincham	50
Structures Total	**570**
Highways Structural Maintenance Programme	**3,499**

Description	Value £000
Street Lighting	
Street Lighting - Signs / zebras	100
Street Lighting - Structural testing	250
Street Lighting - Column failures	300
Street Lighting Total	**650**
Highways Structural Maintenance Programme Total	**4,099**

Greenspace Programme 2020/21	
Location	**Value**
Path Resurfacing	**£000**
Abbotsfield Park	10
Walton Park, Sale	17
John Leigh Park	5
Longford Park - Younger	20
Ashton Park, Sale	10
The Devisdale, Bowden	7
Victoria Park	11
Cross Lane Car Park	7
Worthington Park	8
Path Resurfacing Total	**95**
Parks Infrastructure and Play Equipment Renewal	**£000**
Halecroft Park - Refurbishment of pond and surroundings	20
Longford Park - Drainage	85
Bowdon Recreation Ground - Drainage	55
Flixton Gardens and Park William Wroe – Drainage	25
Abbottsfield Park, Urmston - Drainage	25
Davyhulme Park, Urmston - Drainage	25
Moor Nook Park, Sale Moor - Drainage	25
Victoria Park - Heritage gates refurbishment	30
Play Area refurbishment - Ensure play areas remain open	200
Path system Banky Medows - Access	20
Wellacre – Access	10
Queen's Field – Bike Trail	10
Sale West Park (Design)	5
Contingency	10

Parks Infrastructure and Play Equipment Renewal Total	**545**
Infrastructure & Biodiversity	**£000**
Tree Replacement Programme	182
Countryside Infrastructure	40
Outdoor Sports Programme	53
Infrastructure & Biodiversity Total	**275**
Greenspace Programme Total	**915**

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TRAFFORD COUNCIL

Report to:	**Executive**
Date:	**19 February 2020**
Report for:	**Decision**
Report of:	**The Executive Member Housing and Regeneration and the Corporate Director for Place**

Report Title

Strategic Land Review Programme 2020/23

Summary

To propose a Strategic Land Review Programme for the disposal of land and buildings during the financial year 2020/21 and to seek the necessary delegations.
To advise as to proposals for 2021/22 and 2022/23

Recommendation(s)

The Executive are recommended to:

- Approve the Strategic Land Review Programme for 2020/21 as set out in the report.
- Delegate authority to the Corporate Director Place to:
  - negotiate and accept bids in consultation with the Corporate Director of Finance and Systems and Corporate Director for Governance and Community Strategy.
  - specifically in relation to Brown Street Hale, to negotiate and accept offers from purchasers in respect of the disposal of individual residential apartments in the scheme.
  - engage external resources where this will assist in implementing the programme.
  - Commission, submit and/or authorise as appropriate:
    i) any applications for planning permission on any properties included in the programme where this will assist in marketing and/or add value.
    ii) any surveys/investigations where such surveys will reduce the risks associated with redevelopment and/or add value to the capital receipt /revenue return.
    iii) any design for the site and or premises in association with either obtaining a planning consent or as part of options appraisal
    iv) any demolitions or physical alterations this will either reduce the risks associated with holding the premise or accelerate the sale/redevelopment and/or add value to the capital receipt/revenue return.
  - offset eligible disposal costs against capital receipts in accordance with capital regulations.
  - advertise the intention to dispose of a site in the event that it comprises open space as defined by the Town and Country Planning Act 1990, in accordance with the relevant statutory procedure, and if any objections are received, to refer to the relevant portfolio holder for consideration in consultation with the Executive Member for Environment, Air Quality and

Climate Change.
    - acquire adjacent land or property where the acquisition will either add value to the overall development or de-risk the disposal/development of the Council asset.
    - add to or substitute sites into the programme during the year.
    - commission security services.
    - authorise alternative methods of disposal where appropriate.
- That the Corporate Director of Governance and Community Strategy in consultation with the Corporate Director Place and, where appropriate, the Corporate Director for Finance and Systems, be authorised to finalise and enter into all legal agreements required to implement the above decisions.

<u>Contact person for access to background papers and further information:</u>
Name: Richard Roe
Extension: 4265
Background papers: None

Implications

Relationship to Policy Framework/Corporate Changes	Supports the Corporate priority for building quality, affordable and social housing; and successful and thriving places.
Financial:	The generation of capital receipts will support the capital investment programme or be used to repay debt.
Legal Implications:	Each disposal/development will be reviewed for legal implications on an individual basis.
Equality/Diversity Implications:	No direct implications
Sustainability Implications:	The generation of capital receipts supports a number of capital schemes that will aid the Council in its carbon neutrality objectives.
Resources Implications: eg Staffing/ICT/Assets	Properties which are no longer required for operational purposes are identified and recommendations as to retention /disposal are made by the Corporate Landlord group, prior to discussion at the relevant Place Shaping Board and being added to the Land Sales Programme
Risk Management Implications:	The Key risk will be associated with holding property which is vacant.
Health and Wellbeing Implications:	No direct implications
Health and Safety Implications:	A reduction in health and safety issues by disposing of vacant buildings.

1. Background

1.1 The Strategic Land Review Programme sets out a list of land and buildings that the Council intends to sell, develop in partnership or self-develop in the forthcoming year(s).

1.2 The Strategic Land Review Programme is an integral part of the Council's asset strategy and is the conclusion of a corporate process of identification of surplus assets linked to service planning and an options appraisal process.

1.3 The Council strives to use its property assets in the most advantageous way possible for the community and to achieve its service delivery, financial, regeneration and economic growth objectives.

2.0 Council Strategies linkages with the Programme

2.1 The use and disposal of property is an important part of business planning and the delivery of efficiency targets across all service areas. In addition, the identification of a range of service delivery strategies across the Council has had implications for the use of property and its availability for disposal. These include:

- **Corporate Landlord** – The Council takes a corporate landlord approach to enable a strategic overview of the management of all its property assets. Land sales, as well as the corporate estate, are regularly monitored and reviewed. Through the One Trafford partnership all assets are reviewed as to their condition, value and potential to either reduce maintenance costs or be in a position to generate revenue income. There will also be opportunities for further rationalisation of the property portfolio through efficiencies in terms of maximizing the capacity of buildings to be retained and partnerships with public, private and third sector partners.

- **Collaboration and co-location** - Partnership working has led to greater shared use of accommodation and is already producing more efficient use of assets and may lead to the release of further surplus assets across partners. The Council has initiated a One Trafford Estate project that is working across public sector partners to identify opportunities where shared use of assets is viable and in the right location. In addition the project is ensuring that Council assets are available where we have a suitable building for greater cross working and can ensure our estate strategies are aligned to those of our public sector partners. This has meant that Trafford Council has representation on key strategic estate bodies such as the GM Property and Estates Panel and the Strategic Estates Group.

2.2 A range of strategies affect the way in which assets are disposed. These aim to use surplus and under-performing assets to assist in the delivery of wider objectives in addition to realising capital receipts. They include:

- **Investment opportunities** – The Council has adopted an Investment Strategy under which the disposal route for any asset will be subject to a full options appraisal. This will consider opportunities to develop the asset as part of our investment portfolio. Depending on the attributes of any particular asset, the options appraisal would consider site disposals on market, redevelopment potential including options for self-development and Joint Venture opportunities, land assembly opportunities for enhanced redevelopment, longer term investment connections and potential social benefits to the council and the local residents.

- **Housing growth and affordable housing targets** – These are also supported by the Land Sales Programme, often in partnership with Registered Social Landlords. Disposals of land for nil or at below market value may be required if schemes are to be funded by Homes England, however no such sites are identified on the current Programme. GMCA has published ambitious housing targets and the disposal of publicly owned land is a critical component of the Government's objectives to accelerate housing supply and economic growth. The development of publicly owned land also supports the Council's objective of delivering new social and affordable housing. In addition, increasing the number of housing units provides much needed housing supply and generates additional Council Tax.

- **Community Asset Transfer** - The Council will support, where appropriate, community organisations to deliver services in conjunction with the use of Council assets. Each potential asset transfer will be appraised individually to provide the best outcome for the Council and the community.

- **Economic Development and Regeneration** – Ongoing projects in town centres have presented opportunities for the regeneration through schemes including Council land, e.g. Regent Road, Altrincham. Where appropriate assets will be used to support regeneration projects.

3.0 Financial position

3.1 The value of receipts to be achieved through disposals under the Strategic Land Review Programme in 2020/21 and later years will be determined following the completion of a full options analysis of the potential of Council owned sites. The overall sum which is projected to be realised through this Programme for allocation to the Capital Programme over the next 3 years is £34.26m, and this amount has been allocated to support the updated Capital Programme included in the budget papers on this agenda. The output of the options analyses will aim to hit or exceed this projected amount. The overall financing of the current Capital Programme will continue to be monitored to ensure that it remains affordable within the limited capital receipts that are available.

3.2 The Council is allowed to charge disposal costs against capital receipts up to a maximum of 4% on eligible receipts in accordance with Statutory Instrument No. 454 2010 Section 23(h). Disposal costs incurred in excess of this amount will need to be charged against the appropriate service revenue budget.

4. Disposal Strategy

4.1 Whilst in the past the Council, in common with most public bodies, has sought to simply sell sites quickly to reduce potential risks and liabilities from holding vacant properties this process may not always be the most appropriate for both the council, in terms of maximising the value it receives and the appropriate quality of development and purchasers who are acquiring risk. This often leads to delays in achieving financial completion, slows down the delivery of new homes and doesn't maximise the financial and regeneration benefits for the Council.

42 The current approach is for the Council to undertake an options appraisal on all surplus sites to determine whether there is an opportunity for the Council to bring forward development of the site itself, either solely or in partnership. This options appraisal will consider financial and delivery risks, potentially higher financial returns, including capital receipts or ongoing revenue streams, and the contribution the development can make to the Council's wider objectives. As part of this review, the opportunity for strategic land acquisition to support delivery and financial return will also be considered. The Council is recruiting an in-house development team to take the lead on direct development sites.

4.3 This approach can delay the realisation of a financial return from the disposal of a site which is being developed by the Council, as the return will only be received on completion of the development (or phases of it) rather than a one off return received at the point of completion of the land sale, and also changes the risk profile for the Council as it will carry some or all of the sales risk. The level of potential risk and timing or nature of a potential receipt will be considered as part of the options appraisal process.

5. Disposal programme for 2020/21 and beyond.

5.1 The report has split the property assets already identified for 2020/21 and beyond into two categories:

- Category 1 (Table 1) are those sites where the Council is already committed to a disposal or where the disposal is on a statutory basis or where it has been assessed that there is no development potential or no benefit in undertaking direct development. Whilst these properties have been identified for disposal in 2020/21 some sites are on a phased payment basis and some on deferred payment basis meaning the capital receipts will be in subsequent years. It is possible that some other sites may roll forward to next or future years should issues arise that delay the disposals (obtaining vacant possession, title issues, planning issues, consent issues etc.).

- Category 2 (Table 2) are those property assets where following initial assessment it is considered there is significant advantage in these sites being delivered through either partnership (Including Joint Ventures) or self development

5.2 As set out in paragraph 2.2 and the paragraphs above the investment opportunities related to each of these sites has been reviewed to determine the most appropriate and financially beneficial option for disposal, development or alternative use.

5.3 The properties in this table have either advanced to a stage where the Council has or is about to enter into a binding legal commitment (e.g it has exchanged contracts) or the recommendation is that there is no financial or social benefit to be obtained from further investment.

	Category 1 (Table 1)	**Est. year of Receipt**
1	Friars Court	2020/21
2	Ortonbrook, Oak Road, Partington	2022/23
3	Former Equity Housing properties	2021/22
4	2a Houldsworth Avenue, Timperley	2020/21
5	Hale Library, Hale (deferred payment)	2021/22
6	Altair, Altrincham (phased payment)	2020/21,2021/22 & 2022/23
7	Sale Cemetery Lodge	2020/21
8	Trafford MES, 350 Flixton Road	2020/21
9	65/65a Roseneath Road Urmston	2020/21
10	Flixton Road, Children’s Home	2020/21
11	Virgil Street, Old Trafford	2020/21
12	The former site of Partington Library, Central Road, Partington	2020/21
13	Regear of Town Centre Assets	2020/21
14	Land between 29 and 31 Brook Road, Urmston	2021/22
15	Stretford Leisure Centre	2022/23

5.4 Sites for Direct/Partnership Development

	Category 2 (Table 2)	Est. Year of Receipt
1	Partington Town Centre Site	2020/21
2	Brown Street, Hale	2020/21
3	Former Sale Magistrates Site	2021/22
4	Denmark Street , Altrincham	2021/22
5	Stokoe Avenue, Altrincham	2020/21
6	Britannia Road, Sale	2022/23
7	Tamworth ,Old Trafford	2022/23
8	The Jubilee Centre ,St Marys Road, Bowdon	2022/23
9	Higher Road Depot, Urmston	2021/22
10	Trafford High School	2021/22
11	Trafford Park Depot	2020/21
12	The Riddings, Timperley	2022/23
13	The Grafton Centre	2022/23
14	The Claremont Centre	2022/23
15	The K Site	2021/22

6. Additional Sites

6.1 Should sites become surplus during the year or if the Council be approached by purchasers and developers for sites not currently identified for disposal then this will be subject to initial discussion and approval at Place Shaping Board and if appropriate (and meeting the Council's corporate , strategic and financial criteria) added to the programme. An options appraisal will be produced, and a formal decision will be requested of the Executive Member and a period of public consultation will be undertaken in the usual way.

7 Other Options

7.1 Retention of surplus property would have consequences for the resourcing of the Capital Programme, impact on revenue savings and the delivery of a range of Council objectives.

7.2 As set out above, alternative options are considered for each site before they are added to the Strategic Land Review Programme.

8. Consultation

8.1 With the development of the One Trafford Estate project linked to the wider One Public Estate the Council will now assess the availability of its assets in the context of any wider requirements alongside public sector partners.

8.2 This supports the view that assets should be looked at in supporting service delivery and seeing if greater disposal receipts across the public sector estate can be achieved where a local disposal strategy may not be the best answer. To achieve this consultation is undertaken across all service areas to ensure that there are no other appropriate uses for an asset, for the Council or its partners, prior to it being declared surplus. In some cases this will identify a specific future use following disposal, which will indicate the source of potential purchasers, such as Providers for affordable housing. Major disposals affecting a wider area are, as appropriate, subject to consultation with local stakeholders.

9. Reasons for Recommendation

9.1 The sale of surplus assets reduces the Council's overall expenditure and backlog maintenance, generates capital receipts to support the capital programme, assists regeneration and place making in strategic locations and facilitates residential development and in turn housing growth There is a need to undertake a range of procedures to ensure that the best consideration for the sale is achieved including full exposure to the market and a transparent audit trail.

Key Decision

This is a Key Decision currently on the Forward Plan: Yes
If Key Decision has 28 day notice been given Yes

Finance Officer Clearance GB

Legal Officer Clearance *JLF*

DIRECTOR'S SIGNATURE

TRAFFORD BOROUGH COUNCIL

Report to:	**Executive and Council**
Date:	**19 February 2020**
Report for:	**Decision**
Report of:	**The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems**

Report Title

FEES, CHARGES & ALLOWANCES 2020/21

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 2020/21 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 2020/21 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:

- Licensing – a new Export Health Certificate (fishery products) that will be required post EU exit;
- Licensing - Taxi Driver Knowledge Test and Re-sit fees which were introduced on 1 September 2019, as approved by Council in February 2019.

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 2020/21, 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 2020/21 and those relating to Registration of Births, Death & Marriages also shown for 2021/22, 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 2020/21 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 2020/21 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 Tom Ross, Executive Member for Finance and Investment
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 2020/21 supports all key priorities and policies.
Financial	The report sets out the proposed Fees and Charges for 2020/21 and those relating to Registration of Births, Death & Marriages also shown for 2021/22.
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.

<u>Other Options</u>
All options at an individual fee or charge basis would have been considered, where appropriate, during the budget process.

<u>Consultation</u>
Where appropriate and necessary some of the fees and charges have been the subject of consultation.

<u>Reasons for Recommendation</u>
To fulfill the obligations outlined in the Council Constitution for the budget process.

<u>Key Decision</u>
This is a key decision currently on the Forward Plan: Yes

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

Legal Officer Clearance **DS**…………

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 2020/21 and included in the revenue budget proposals for 2020/21 to be presented to Council on 19 February 2020.

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	25%	2%
M / D*	80	10%	0	0%	0%
D / D*	11	1%	0	18%	63%
M / D	140	17%	0	64%	2%
D / D	534	64%	0	53%	5%
Total	**830**	**100%**	**0**	**47%**	**5%**

Note : This does not represent a 5% 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 25% of mandatory fees have changed by an average of 2%. 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:

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

- Licensing – Export Health Certificate (fishery products) is a new type of certification that will be required post EU exit;

- Licensing – Taxi Driver Knowledge Test and Re-sit fees introduced on 1 September 2019, as approved by Council in February 2019;

- Environmental Enforcement – Fixed penalty for offence of failing to remove dog faeces has been increased significantly to act as a further deterrent;

- Environmental Enforcement – Fixed penalty for offence of leaving litter has also been increased to act as a deterrent.

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 2020/21 and those relating to Registration of Births, Death & Marriages also shown for 2021/22, 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 2020/21 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 2020/21 under delegated powers where the economics of the charge levels have changed (e.g. costs have risen unexpectedly), or for commercial reasons.

TRAFFORD COUNCIL

Report to: **Executive**
Date: **19 February 2020**
Report for: **Decision**
Report of: **Executive Member for Finance and Investment**

Report Title

Business Rates Discretionary Rate Relief Policy – Amendments to increase and extend Retail Rate Discount, extend local newspaper offices relief and reintroduce Pub Discount

Summary

On 27 January 2020, the Financial Secretary to the Treasury made a Written Ministerial Statement announcing additional business rates measures that will apply from April 2020.

Trafford Council is therefore proposing to amend its existing Business Rates Discretionary Rate Relief policy from 2020/21 to include the new measures which will support retailers with a rateable value below £51,000 increasing the retail discount from one-third to 50 per cent, extend those eligible to music venues and cinemas as well as extend the discount for local newspapers' office space and re-introduce the £1,000 discount to eligible pubs with a rateable value of less than £100,000.

Recommendation(s)

That the Executive approves the amendments to the Council's Business Rates Discretionary Rate Relief policy as outlined in the report to ensure it reflects the business rates measures announced in January 2020.

Contact person for access to background papers and further information:

Name: Louise Shaw
Extension: 3120

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Successful and Thriving Places Priority
Financial	The full cost of granting the relief will be met through a Section 31 grant from Government. Software and staffing/administration costs are expected to be met via funding from the Ministry of Housing, Communities and Local Government (MHCLG).
Legal Implications:	The Localism Act 2011 provides local government with greater flexibility with regards to discretionary relief and exemptions for Business Rates.
Equality/Diversity Implications	The proposal will have positive outcomes and ensure Government funding is maximised.
Sustainability Implications	None
Resource Implications e.g. Staffing / ICT / Assets	None
Risk Management Implications	None
Health & Wellbeing Implications	None
Health and Safety Implications	Not applicable

1.0 Background

1.1 The Government continues to recognise the important role that the high street has, as well as the role pubs play in urban and rural communities.

1.2 Therefore, in a Written Ministerial Statement on 27 January 2020, the Financial Secretary to the Treasury announced a package of business rates measures for 2020-21(unless otherwise stated) as follows:

- Increase the one third discount to 50 per cent for retail property with a rateable value below £51,000;
- Extend the retail discount eligibility criteria to include music venues and cinemas with a rateable value below £51,000;
- To re-introduce the £1,000 business rates discount for public houses with a rateable value of less than £100,000;
- Extension of the £1,500 business rates discount for local newspapers' office space for an additional 5 years until 31 March 2025.

1.3 Local authorities will be expected to use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988, as amended) to increase the existing discount for retail properties in line with the relevant eligibility criteria as well as extend the discount for local newspapers' office space and reintroduce the Pub Discount. They will be compensated for the cost of granting the discounts through a

Section 31 grant from Government. No new legislation will be required to deliver the scheme and state aid limits will apply.

1.4 The Ministry of Housing, Communities and Local Government (MHCLG) fully recognises that implementing these extended and re-introduced discount schemes will place some additional burden on billing authorities. In accordance with the New Burdens doctrine, the Department will conduct an assessment of the expected reasonable additional costs of new software and staffing/administration with relevant stakeholders shortly. Full details of funding for these costs will be released following this assessment.

2.0 Introduction

2.1 The Council's existing Discretionary Rate Relief policy was last updated in January 2019 to include the new rate reliefs announced in the 2018 Autumn Statement as follows:

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• A one third discount for retail property with a rateable value below £51,000 for two years;
• Extension of the £1,500 business rates discount for local newspapers' office space

2.2 It is proposed that the policy is changed with an effective date of 1 April 2020 to include the increased and extended Retail Rate discount and the re-introduced Pub discount for 2020/21 and the extended newspapers' office space relief to 2025.

3.0 Proposed Amendments

3.1 Retail Rate Discount where the Rateable Value is below £51k

3.1.1 It is proposed under this scheme that the retail discount will increase for eligible ratepayers from one third to 50 per cent and will apply in 2020/21.

3.1.2 In addition, the definition of retail properties, which currently follows the guidance published by the MHCLG, will be extended to include music venues and cinemas. Updated guidance on the definitions can be found at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/861149/200127_Retail_Discount_Guidance.pdf

3.1.3 The discount will have effect for 2020/21 only and must be applied after mandatory reliefs and other discretionary reliefs. Locally funded relief must be applied after all centrally funded reliefs have been applied. State aid rules will apply to the retail relief in the normal way

3.1.4 Trafford will be implementing the reliefs as part of the 2020/21 annual billing exercise to ensure the discounts are awarded before the start of the financial year.

3.1.5 Based on Trafford's business rates records as currently held, it is expected that the increased discount will benefit around 618 Trafford retailers at a combined value of c£970k.

3.2 Pub Discount where the Rateable Value is below £100k

3.2.1 The Government has stated that it recognises the important role that pubs play in urban and rural communities across the country.

3.2.2 It is proposed that a business rates discount of £1,000 per eligible pub should be awarded, where the rateable value is below £100k. The Governments guidance on what an eligible pub is can be found at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/861146/200127_Pub_Discount_Guidance.pdf

3.2.3 The discount will have effect for 2020/21 only and must be applied after mandatory reliefs and other discretionary reliefs, including the retail discount. Locally funded relief must be applied after all centrally funded reliefs have been applied. State aid rules will apply to the pub discount in the normal way

3.2.4 Trafford will be implementing the discount as part of the 2020/21 annual billing exercise to ensure it is awarded before the start of the financial year.

3.2.5 Based on Trafford's business rates records as currently held, it is expected that the re-introduction of this discount will benefit around 72 Trafford pubs at a combined value of £72k.

3.3 Local Newspapers

3.3.1 The Ministerial Statement also announced the intention to extend by 5 years – until 31 March 2025 - the grant of £1,500 business rates discount for office space occupied by local newspapers in line with the existing criteria. It is proposed, therefore, that Trafford's policy reflects this.

3.3.2 Trafford currently has no known eligible local newspaper offices but proposes to include in its policy to be able to grant the relief in the future as appropriate.

Other Options

The Council could maintain its existing policies and not make the amendments but that would mean local businesses would pay more business rates in effect not accepting the government funding available on behalf of eligible businesses.

Consultation

As this is the local application of a central Government change no consultation is required.

<u>Reasons for Recommendation</u>

The reason for the recommendations is as set out at the beginning of the report

<u>Key Decision</u>: Yes
<u>If Key Decision, has 28-day notice been given?</u> Yes

Finance Officer Clearance **NB**
Legal Officer Clearance **DS**

[CORPORATE] DIRECTOR'S SIGNATURE *(electronic)*

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

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