

## TRAFFORD COUNCIL

Report to: Executive

Date: 21 March 2016

Report for: Information

Report of: The Executive Member for Finance and the Chief Finance Officer

### Report Title:

Revenue Budget Monitoring 2015/16 – Period 10 (April 2015 to January 2016).

### Summary:

The approved revenue budget for the year is £148.914m. The forecast for the end of the year, as projected following ten months of activity, is £144.467m being a net underspend of £(4.447)m, (3.0)% of the budget, a favourable movement of £(0.624)m since the last report.

The main areas of budget variance are summarised as follows:

<b>Activity</b>	<b>Forecast £m</b>	<b>Movement £m</b>
Children's client care packages	1.6	0.2
Adults client care packages	(0.8)	(0.3)
Rephased base budget savings	0.5	0.2
Vacancy management	(2.5)	(0.2)
Running costs	(1.4)	(0.5)
Treasury Management (incl. Airport dividend and MRP saving)	(3.2)	-
Manchester Airport Group (MAG) interim dividend - transfer to Earmarked Reserve	1.2	-
Minimum Revenue Provision (MRP) saving - transfer to Budget Support Reserve	1.2	-
Business Rates (Council-wide budget)	(0.3)	-
Income	0.0	-
Grants	(0.2)	-
Release of the unallocated general savings contingency budget (Council-wide)	(0.5)	-
<b>Forecasted outturn</b>	<b>(4.4)</b>	<b>(0.6)</b>

### **MTFP Savings and increased income**

Total Savings delivered or in progress of £(21.863)m are projected against a target of £(21.584)m, an overachievement of £(0.279)m.

### **Reserves**

The opening balance of the General Reserve was £(7.871)m, and after taking into account approved use and commitments, and the Council-wide budget projected outturn, the forecasted closing balance as at 31 March 2016 is £(8.538)m, which is £(2.538)m above the Council established minimum level of £(6.0)m. The MAG interim dividend of £(1.245)m received in December 2015 has been transferred to an

Earmarked Reserve for use in supporting the 2016/17 budget and the MRP saving of £(1.151)m transferred to the Budget Support Reserve. Planned base budget support of £1.850m was also agreed by Council on 17 February 2016 as part of the 2016/17 Budget Report. (see Table 4 below).

In addition, the net service carry forward reserves at the beginning of the year were £(3.642)m, and after taking into account planned use and commitments together with the service Directorates' projected outturn, the forecasted closing balance as at 31 March 2016 is £(3.748)m in surplus.

**Council Tax**

The surplus brought forward of £(0.773)m, will be increased by an in-year forecast surplus of £(1.392)m. After taking account of the planned use of £0.357m to support the base budget and another £0.100m for backdated valuation and discount appeals, the total surplus forecasted to be carried forward is £(1.708)m. The Council's share of this surplus is £(1.435)m, and is planned to support future budgets in the MTFP.

**Business Rates**

The latest projection as at 31 January 2016 shows an overall minor reduction in retained business rates for 2015/16 of £0.015m, representing a favourable movement since last month of £(0.110)m. This includes an in-year deficit of £0.285m against the business rate growth forecast made in February 2015, which cannot be brought into the accounts until 2016/17, as well as an increase in income in-year within the Council-wide budget of £(0.270)m (see paragraph 8 below).

**Recommendation(s)**

**It is recommended that:**

- a) Executive notes the latest forecast and planned actions as set out in this report.

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

David Muggeridge, Finance Manager, Financial Accounting                      Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Revenue expenditure to be contained within available resources in 2015/16.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	Not applicable
Health and Safety Implications	Not applicable

**Chief Finance Officer .....NB.....**

**Legal Officer .....HAK.....**

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

## Budget Monitoring - Financial Results

- The budget as approved at the 18 February 2015 Council meeting is £148.914m. Based on the budget monitoring for the first 10 months of the year, the overall forecast for the year is £144.467m, being an underspend of £(4.447)m, (3.0)%, a favourable movement of £(0.624)m since the last report.
- The details of service variances can be found in Annexes 1 to 3, and for Council-wide, Annex 4:

<b>Table 1: Budget Monitoring results by Directorate</b>	<b>Year end Forecast (£000's)</b>	<b>Percentage %</b>	<b>Period Movement (£000's)</b>	<b>Annex</b>
CFW – Children's Services	1,162	4.1%	9	1
CFW – Adult Social Services	(2,457)	(5.0)%	(215)	1
CFW – Public Health	191	22.0%	191	1
Economic Growth, Environment & Infrastructure	(715)	(2.2)%	(157)	2
Transformation & Resources	(761)	(4.5)%	(113)	3
<b>Total Service Variances</b>	<b>(2,580)</b>	<b>(2.1)%</b>	<b>(285)</b>	
Council-wide budgets	(4,263)	(18.0)%	(339)	4
MAG interim dividend - transferred to MAG Dividend Reserve	1,245	-	0	4
MRP saving – transferred to Budget Support Reserve	1,151	-	0	4
<b>Estimated outturn variance (period 10)</b>	<b>(4,447)</b>	<b>(3.0)%</b>	<b>(624)</b>	

*CFW – Children, Families & Wellbeing*

<b>Table 2: Budget Monitoring results by Executive Portfolio Holder</b>	<b>Year end Forecast (£000's)</b>	<b>Percentage %</b>	<b>Period Movement (£000's)</b>
Children's Services	1,162	4.1%	9
Adult Social Services	(2,457)	(5.0)%	(215)
Community Health & Wellbeing	191	22.0%	191
Environment & Operations	(348)	(1.3)%	(64)
Economic Growth & Planning	(367)	(8.0)%	(93)
Communities & Partnerships	44	1.7%	8
Transformation & Resources	(508)	(5.1)%	(115)
Finance	(4,560)	(16.2)%	(345)
MAG interim dividend - transferred to MAG Dividend Reserve	1,245	-	0
MRP saving – transferred to Budget Support Reserve	1,151	-	0
<b>Estimated outturn variance (period 10)</b>	<b>(4,447)</b>	<b>(3.0)%</b>	<b>(624)</b>

## Key month on month variations

3. The key variances contributing to the period movement of a favourable £(0.624)m are:
  - Children's Services - additional client costs of £0.152m, including an increase in placements in external Children's homes.
  - Children's Services – favourable movement of £(0.193)m relating to staffing costs, particularly within Children's Social care;
  - Children's Services - other net movements across all services relating to income, £0.108m and running costs, £(0.058);
  - Adult Services – favourable movement of £(0.281)m relating to client cost and activity changes in Long-term clients;
  - Adult Services – adverse movement of £0.098 on staffing costs, partly offset by a reduction in running costs of £(0.044)m across a number of services;
  - Public Health – savings of £0.191m associated with the in-year reduction in Public Health grant of £0.772m will not be achieved (see paragraph 9 below);
  - Economic Growth, Environment & Infrastructure Directorate – a net favourable movement of £(0.157)m across income, staffing and running costs;
  - Transformation & Resources Directorate - favourable movement of £(0.113)m, including the generation of additional income and a reduction in staffing and running costs;
  - Housing and Council Tax Benefits overpayment recovery favourable movement of £(0.306)m;
  - Treasury Management - £(0.063)m additional investment interest;
  - A minor adverse movement of £0.033m relating to the element of Business Rates income retained within the Council-wide budget (see paragraph 8 below);
  - Other minor movements £0.009m.

## MTFP Savings and increased income

4. The 2015/16 budget was based on the achievement of permanent base budget savings and increased income of £(21.584)m, and full details have been included in previous monitoring reports.
5. The latest forecast indicates that total savings of £(21.863)m have been or are projected to be delivered by 31 March 2016. This represents an overachievement against target of £(0.279)m and is an improvement of £(0.043)m since the last report. The favourable movement relates to an increase in the savings against the LD Care Package Review / Reshaping Trafford project.

## **Council Tax**

6. The 2015/16 surplus on the Council Tax element of the Collection Fund is shared between the Council (84%), the Police & Crime Commissioner for GM (12%) and GM Fire & Rescue Authority (4%). The 2015/16 total surplus brought forward was £(0.773)m.
7. As at 31 January 2016 the total in-year surplus is forecasted at £(1.392)m. After taking account of the planned application to support the 2015/16 budget of £0.357m and reductions as a consequence of back-dated valuations and awards of discounts or exemptions of £0.100m, the end of year total balance is forecasted to be £(1.708)m. The Council's share of this is £(1.435)m, being a minor favourable improvement of £(0.005)m since last month.

## **Business Rates**

8. The Business Rate Retention Scheme and the financial impact on the Council has been shown in detail in previous monthly reports. The latest projection as at 31 January 2016 shows an overall minor reduction in retained business rates for 2015/16 of £0.015m compared to budget and is made up of:
  - the retained element of in-year business rate growth of £(1.526)m which is £0.285m below estimate, a favourable movement of £(0.143)m since last month, due to an increase in the projected net yield. This element will be carried forward within the Collection Fund at the end of the year.
  - the net effect of Section 31 grant (after the deduction of the levy) is £(0.270)m, an adverse movement of £0.033m on last month, and is included in the Council-wide budget monitoring projection in Annex 4.

## **Public Health**

9. The Government announced on 4 June 2015 that it was seeking in-year public expenditure reductions of £3.1 billion and this included an amount of £200 million in respect of Public Health. Trafford's share of this reduction is £0.772m. After a detailed review scope to manage £0.581m of this reduction has been identified within the Public Health budget on a one-off basis for the 2015/16 financial year, the remaining £0.191m will be met from within the overall CFW budget underspend. The in-year reduction is recurrent, and a plan to reduce expenditure by £0.772m has been incorporated into the 2016/17 budget planning cycle.
10. Funding of £1.642m was transferred to the Council on 1<sup>st</sup> October 2015 relating to the national transfer of responsibilities relating to 0-5 year old Health Visiting and Family Nurse Partnership services. This has increased the gross funding for Public Health to £11.699m in 2015/16.

## Reserves

11. The General Reserve balance brought forward is £(7.9)m, against which there are planned commitments up to the end of 2015/16 of £1.2m. The addition of the Council-wide underspend of £(1.8)m provides for a projected balance as at 31 March 2016 of £(8.5)m, being £(2.5)m above the approved minimum level of £(6.0)m. The interim dividend of £(1.245)m has been transferred to an Earmarked Reserve for use in supporting the 2016/17 budget and the MRP saving of £(1.151)m transferred to the Budget Support Reserve:

<b>Table 4 : General Reserve Movements</b>	<b>(£000's)</b>
<b>Balance 31 March 2015</b>	<b>(7,871)</b>
<b>Commitments in 2015/16:</b>	
- Planned use for 2015/16 Budget	1,000
- Planned use for one-off projects 2015/16	200
- Council-wide budgets underspend	(1,867)
- Interim MAG Dividend 2015/16	(1,245)
- Transfer to MAG Dividend Reserve	1,245
- Minimum Revenue Provision (MRP) saving	(1,151)
- Transfer to Budget Support Reserve	1,151
<b>Balance 31 March 2016</b>	<b>(8,538)</b>

12. The planned base budget support from the General Reserve in 2016/17 of £1.850m was also agreed by Council on 17 February 2016 as part of the 2016/17 Budget Report.
13. Service balances brought forward from 2014/15 were a net £(3.642)m. After planned use to support one-off projects and adjusting for the estimated outturn, there is a projected net surplus of £(3.748)m to be carried forward to 2016/17 (Table 5).

	<b>b/f 1 April 2015 (£000's)</b>	<b>Forecast Movement in-year (£000's)</b>	<b>Forecast Balance as at 31 March 2016 (£000's)</b>
<b>Table 5: Service balances</b>			
Communities, Families & Wellbeing	(403)	(1,062)	(1,465) *
Economic Growth, Environment & Infrastructure	(1,738)	1,221	(517)
Transformation & Resources	(1,501)	(265)	(1,766)
<b>Total (Surplus)/Deficit</b>	<b>(3,642)</b>	<b>(106)</b>	<b>(3,748)</b>

\* It is proposed that £0.6m of this balance is earmarked for the funding of the CFW Programme Resources Team in 2016/17.

## Recommendations

14. It is recommended that the Executive notes the latest forecast and planned actions as set out in this report.

## TRAFFORD COUNCIL

Report to: CFW Senior Leadership Team  
 Date: 18<sup>th</sup> February 2016  
 Report for: Discussion  
 Report author: CFW Finance Manager

Report Title:

**Revenue Budget Monitoring 2015/16 – Period 10 (April 2015 to January 2016).**

**1. Forecast Outturn for the Year**

- 1.1 The approved revenue budget for the year is £76.041m and the projected outturn is currently forecast to be £74.937m, which is less than the budget by £(1.104)m, (1.5)%. The current projected underspend includes an overspend of £1.162m on Children's Services and an underspend of £(2.266)m on Adults.
- 1.2 The forecast variance for Period 9 was £(1.089)m and this represents a favourable movement of £(0.015)m since last reported.
- 1.3 The savings target for CFW in 2015/16 is £(15.612)m. The latest forecasts anticipate savings of £(16.148)m to be achieved. This will be a major achievement to overachieve against the target of £(15.612)m and provides a high level of assurance about the robustness of financial planning and effective delivery of transformation projects within the Directorate.

**2 Summary of Variances**

- 2.1 The main forecast outturn variances (over £100k) are summarised below with more detail provided in Appendix 1.

**2.2 CHILDREN'S SERVICES**

**The overall variance for Children's Services is an adverse £1.162m and the main areas (over £100k) are analysed below:-**

**(a) Children's Social Services (including Children with Complex Needs) - £1.615m adverse variance**

- There is a forecast overspend of £1.621m on client care packages as analysed in Appendix 2. The main variances relate to an adverse variance of £1.378m relating to external children's homes, even though this is as a result of only 7.25 additional placements over the year, indicating the volatility of this particular budget and £0.230m for welfare secure places which relates to 0.71 additional places. The increase in both these costs is due to a combination of demographic growth and the complexity of need of children in care with more children requiring high cost specialist placements. There is also an adverse variance of £0.211m on agency foster placements which equates to 4.71 placements. Also included in the £1.621m above is a favourable variance of £(0.180)m in relation to the low numbers of Trafford children in need of adoptive placements.

However, this is counterbalanced by a projected shortfall in adoption income of £0.385m. It has now become apparent that in the North West the number of recruited adopters is exceeding the number of children awaiting adoption. This resulted from a legal judgement that placed a greater emphasis on a child returning home or to family members prior to consideration of adoption.

- Robust management action is in place to scrutinise each individual placement to ensure it is appropriate to meet needs. We are also exploring collaborative ways of managing the external market as costs have increased substantially due to the increased demand for places. We have implemented an 'Edge of Care Strategy' that supports children and young people to remain at home and developing that into a broader project as part of the CFW transformation programme.
- The actions as outlined in previous monitoring reports continue to take place in managing Children in Care placements.
- Favourable variance in staffing costs of £(0.190)m due to staff turnover and vacancies across this service area.

**(b) Education Early Years - favourable variance £(0.169)m**

Favourable variance due mainly to staffing underspends and additional income.

**(c) Commissioning running costs - favourable variance £(0.207)m**

Forecast underspend due to personalisation and supporting people contracts.

### **Movement from previous period**

The period 10 variance compared to that last reported is £0.009m adverse. The main reasons for the change (over £20k) are:-

- Children's Social Services – adverse movement of £0.086m due to increase in projected overspend on client care packages £0.180m, reduction in staffing costs £(0.055) and other minor variances £(0.039m).
- Children with Complex and additional needs – favourable movement of £(0.081)m due to reduction in staffing costs £(0.036m) and other minor variances £(0.045)m.
- Early Help Delivery Model – adverse movement of £0.029m due to a reduction in income.



### 2.3 ADULTS' SERVICES

The overall variance for Adults' Services is £(2.266)m favourable and the main variances (over £100k) are analysed below:

- Long Term Support – client costs favourable variance £(0.720)m. The forecast is based on those clients who have received packages of care in the year to date which may have closed and those currently open within the Liquid Logic system projected for the remainder of the year. An adjustment has been made of £(0.089)m for savings which are expected to be made against client costs for the remainder of the year based on Transformation projections.
- Social Support (Carers and Adult Placement) – favourable variance £(0.440)m following renegotiation of a contract and funding from the Care Act grant.
- Social Care Activities – Care Management - favourable variance £(0.861)m. £(0.389)m is as a result of over achievement of staff savings within the reablement transformation project. The remainder is generated by the use of Care Act grant, staff turnover and vacancies across a wide range of care management services (see CFW 8 in appendix 1).
- Information and Early Intervention - favourable variance £(0.371)m due to an underspend in Extra Care as a result of a delay in implementation of the Old Trafford scheme to 2017 of £(0.279)m, vacancies within the benefits advice team of £(0.082)m and other minor variances £(0.010)m.
- Commissioning and Service Delivery – favourable variance £(0.296)m arising from vacancies in the service following the Commissioning restructure.
- Department of Health funding and unallocated savings – adverse variance £0.260m due to the underachievement of the Integrated Health & Social Care saving. This savings proposal is now subsumed within the wider discussion with Pennine Care about their integration of a wide range of services. The savings in the current year will be £(0.240)m against an original target of £(0.500)m.
- Public Health – adverse variance of £0.191m, after a detailed review the level of in year reduction achievable is £0.581m against the Government reduction of £0.772m (see 2.4).

An analysis of all variances is included in Appendix 1.

#### **Movement from previous period**

The period 10 variance compared to that last reported is £(0.024)m favourable. The main reasons for the change (over £20k) are:-

- Long- term client costs – favourable movement of £(0.281)m as a result of client cost and activity changes. This projection is based on the current portfolio of long term clients recorded on the Liquid Logic system plus clients, who have received services in the earlier part of the year, though are no longer receiving services. The projection allows for expected Transition costs

in year of £0.916m and that costs will be offset by further savings of £(0.089)m to be made against client costs over the remainder of the year based on Transformation projections. Further detail on the variance is included in Appendix 4.

- Assistive Equipment & Technology – net favourable movement £(0.046)m due to an anticipated underspend on lift repairs & maintenance £(0.021)m and community alarms £(0.033)m and other minor variations £0.008m
- Social Care Activities (Care Management teams) – adverse movement of £0.091m following a review of vacancies across all teams.
- Public Health – adverse variance of £0.191m, after a detailed review the level of in year reduction achievable is £0.581m against the Government reduction of £0.772m (see 2.4).

## **2.4 PUBLIC HEALTH**

The Public Health budget is financed by a ring-fenced grant. Under the terms and conditions of the grant this must be used for defined Public Health purposes and the current projection is spend will be in line with budget. Any underspend on the grant, should it arise, would be carried forward to 2016/17 for use on Public Health related services.

An announcement of the in-year budget reduction for Public Health was made by the Government in November 2015. Nationally this is £200m and the impact for Trafford Council is a reduction of £0.772m.

After a detailed review scope to manage £0.581m of this reduction has been identified within the Public Health budget on a one-off basis for the 2015/16 financial year, the remaining £0.191m being met from within the overall CFW budget underspend. The in-year reduction is recurrent, and a plan to reduce expenditure by £0.772m has been incorporated into the 2016/17 budget planning cycle.

Funding of £1.642m has been transferred to the Council on 1<sup>st</sup> October 2015 relating to the national transfer of responsibilities relating to 0-5 year old Health Visiting and Family Nurse Partnership services. This will increase the gross funding for Public Health to £11.699m in 2015/16.

## **3. Forecasting, Assumptions and Risk**

### **3.1 2015/16 Base Budget Savings**

The Council's overall budget for 2015/16 includes £(21.584)m of savings of which £(15.612)m relates to CFW. The table in Appendix 2 shows the current assumptions made regarding the delivery of in-year savings targets within the forecasts set out in this report.

The current projection is that against the target of £(15.612)m, savings of £(16.148)m will be made, which is an increase of £(0.043)m on the previous forecast at month 9.

Within the gross shortfall of £0.187m for the Early Help model, £0.073m relates to a decision to keep Sale West and Old Trafford Youth Centres open which has been met from a temporary budget virement from the general savings contingency in Council-wide. The remaining amount of £0.114m will be met via one-off funding from

Corporate Landlord of £0.050m and £0.064m from within the CFW Directorate from the over-achievement of other savings. The on-going cost of the Sale West and Old Trafford Youth Centres has now been included in the 2016/17 Budget. The full breakdown of the projections for individual initiatives is included in Appendix 3.

Included within the overall forecast are savings yet to be realised of £(0.089)m in respect of the 'Reshaping Trafford Care' projects.

This will be a major achievement to overachieve against the target of £(15.612)m and provides a high level of assurance about the robustness of financial planning and effective delivery of transformation projects within the Directorate.

### **3.2 Good Practice Examples**

In relation to the savings programme, there are a number of examples of management interventions that are having a substantial impact on the financial position of the Directorate. These include;

**3.2.1 Reshaping Social Care:** The Directorate has successfully driven down commitments against care packages in line with the reshaping social care policy change agreed by the Council since April 2015. The implementation of reshaping principles is being applied as each new case is presented and as all cases go through their reassessment during the year. The reshaping programme is supporting the directorate to review the commissioning requirements going forward, as we drive the promotion of independence and self-care. The work is underpinning the development of 2016/17 savings options and we are already seeing a significant impact since the new policy was implemented in April 2015.

Each individual situation is different and an assessment of need always occurs before any changes are made and the service assures involvement of the individual and their family, representatives or advocates. The panel processes are fully embedded as core business. The new robust timely debt recovery process ensures an individual's contributions to their care are confirmed early in the process and new debt is identified at the earliest stage. Any debt is a key factor in funding panel decisions.

Innovative solutions to meeting need are being used to promote increased independence, support carers and focus social care funding to the appropriate areas. For example, a new application is being used to support families to ensure that they can assure themselves of their elderly family member's whereabouts and reduce worries about wandering. This ultimately prevents an admission to residential care.

**3.2.2 Reshaping Social Care (Learning Disabilities):** The Directorate has built upon the principles of the Reshaping Social Care approach for people with learning disabilities. This is because there are very few new cases, people with learning disabilities receive packages of care for in excess of 60 years and the care packages are more costly. The key principles underpinning the LD approach include best value, promoting and increasing independence and providing services based upon need rather than diagnosis. In this context best value means maximising the use of shared hours in group living situations and considering increasing care provision short-term to maximise skill development, leading to a reduction in care package costs. Promoting independence means developing an enabling risk management approach with providers and supporting the long term development of skills. Providing services based upon need rather than diagnosis particularly refers to frail older people with learning disabilities whose needs are predominantly those of an older person and who may be better placed in older peoples' services rather than an enhanced learning disability service. These changes are extremely complex to implement as they need to

be negotiated with families and service providers and have also been subject to challenge through the complaints and appeals systems. However the approach has the potential to deliver substantial savings whilst maintaining care and often increasing the quality of life of the service user.

**3.2.3 Reshaping Children in Care:** A Children in Care placement review has been established to address the placement budget pressures and to determine improved decision making and commissioning processes. The governance and reporting arrangements are in place through the Senior Reporting Officer (SRO) and the acting Joint Director of Children's Social Care. The commissioning team are leading the work and have already completed some initial analysis and comparative review with near statistical neighbours. The work to date identifies areas of spend that could be controlled through different contracting arrangements and placement identification which will feed into the overall project recommendations.

### **3.3 Adult Care Packages**

A new basis of financial reporting has been introduced from April 2015 following the implementation of the Liquid Logic client record system and the associated financial modules under ContrOCC. A considerable amount of effort has been made to bring the system into service and it is a major change for budget holders and other staff involved in the budget monitoring process. There are already benefits arising from the system.

The total budget for Long Term and Short Term client costs is £39.3m which represents 82% of the total CFW Adults budget of £47.9m. The average number of service users over the 10 months is 2,555 though this will fluctuate on a monthly basis going forward. Details of these are shown in Appendix 4.

The Liquid Logic/ContrOCC system gives speedier and more flexible reporting and its potential is continuing to be developed.

### **3.4 Continuing Health Care (CHC)**

Where a client becomes eligible for Continuing Health Care a robust process is in place to ensure the relevant actions are completed. A number of retrospective claims have been made in respect of CHC and the impact of these have been reflected in the monitoring position, which gives a one-off financial benefit for the backdated period. The CCG are revising the terms of reference and financial approval process as the retrospective claims are starting to be addressed.

### **3.5 Homecare packages**

The cost of homecare packages, like other care line items, is calculated by reference to the number of clients in receipt of that service at the time of producing the monitoring report. However, experience shows that in a number of cases, the planned package will not be required for the full year and as a result a reduction in costs of 2% is allowed for.

### **3.6 Care Act**

The first phase of changes under the Care Act was introduced in April 2015. A Care Act implementation grant was made available to all upper tier authorities and the Council's grant was £(1.227)m. The use of funding is being monitored and the current assumption for Period 10 is that the funding will be fully utilised in 2015/16.

### 3.7 Better Care Fund

Under the terms of the Better Care Fund agreement with the CCG, the Council secured £(2.0)m for the protection of social care services. A national condition of the funding allocated for the Better Care Fund is that collectively the CCG and Council should achieve targeted reductions of at least 3.5% in non-elective admissions. Should these reductions not be achieved, then funding allocated in respect of performance would not be released by NHS England and the CCG would be obliged to transfer this to the acute sector. The amount of BCF funding in the BCF agreement relating to performance is £(1.319)m and the Council carries the risk of 30% of funding based on the agreed risk share of 70/30 between the CCG and the Council; this equates to circa £0.400m in 2015/16.

Information on non-elective admissions for quarters 1, 2 and 3 have confirmed that planned reductions have not been met, which if this continues for the remainder of the year, means that there is a risk to BCF funding of £0.400m. This potential shortfall has been set aside as an earmarked reserve, therefore the full £2.0m transfer of funding to the Council is reflected in the forecast.

## 4 Learning Disabilities (LD) Pooled Fund

4.1 The LD Pooled fund deficit was written down at the end of 2014/15. The fund is therefore in balance at the start of the year and is expected to underspend by £(0.512)m in 2015/16. This balance is being retained by the Council to offset the costs of the previous deficit. It is therefore included in the forecast outturn figures included in this report.

## 5 Reserves

5.1 At the beginning of April 2015 the Children, Families and Wellbeing Directorate has accumulated balances of £(1.729)m carried forward from previous financial years.

5.2 The carry-forward balances and expected end of the year position is as follows:

	<b>DSG (£000's)</b>	<b>CFW (£000's)</b>
Balance b/f 1 April 2015	(1,326)	(403)
Reserves used to balance budget	163	
Stronger Families Grant		(468)
Stronger Families Commitments 15/16		345
Specific commitments in 15/16		165
P10 Forecast Outturn 15/16	514	(1,104)
<b>Balance c/f 31 March 2016</b>	<b>(649)</b>	<b>(1,465)</b>
<b><u>Commitments 16/17</u></b>		
Stronger Families		123
Transformation Programme		600
<b>Total</b>		<b>723</b>

The forecast position as at the 31<sup>st</sup> March 2016 for CFW is a balance of £(1.465)m of which £0.123 is committed for stronger families in 2016/17 and it is proposed that £0.600m is earmarked for the funding of the CFW Programme Resources Team in 2016/17.

### Period 10 Projected Outturn revenue expenditure and income variances

The following tables detail the main variances from the revenue budget to the forecasted outturn, and the movements since the last monitoring report, in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

<b>Budget Book Format (Objective analysis)</b>	<b>Full Year Revised Budget (£000's)</b>	<b>P10 Forecast Outturn (£000's)</b>	<b>P10 Outturn variance (£000's)</b>	<b>P9 Outturn variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Children's Services Portfolio – DSG Element</b>						
Dedicated Schools Grant	0	514	514	856	(342)	CFW1
Transfer to Dedicated Schools Grant Reserve	0	(514)	(514)	(856)	342	CFW1
<b>Sub-total – DSG</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Children's Services Portfolio – Non DSG Element</b>						
Education Early Years' Service	4,923	4,754	(169)	(161)	(8)	CFW3
Children's Social Services	17,221	19,111	1,890	1,804	86	CFW2
Children with Complex & Additional Needs	1,288	1,013	(275)	(194)	(81)	CFW2
Commissioning	1,784	1,577	(207)	(209)	2	CFW3
Multi Agency Referral & Assessment Service (MARAS)	1,649	1,626	(23)	(4)	(19)	CFW3
Youth Offending Service	271	271	0	0	0	CFW3
Early Help Delivery Model	959	905	(54)	(83)	29	CFW3
						CFW3
<b>Sub-total – Non DSG</b>	<b>28,095</b>	<b>29,257</b>	<b>1,162</b>	<b>1,153</b>	<b>9</b>	
<b>CFW Children's Total</b>	<b>28,095</b>	<b>29,257</b>	<b>1,162</b>	<b>1,153</b>	<b>9</b>	

<b>Budget Book Format (Objective analysis)</b>	<b>Full Year Revised Budget (£000's)</b>	<b>P10 Forecast Outturn (£000's)</b>	<b>P10 Outturn variance (£000's)</b>	<b>P9 Outturn variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Adult Social Services Portfolio</b>						
Long Term Support – client costs	38,757	38,037	(720)	(439)	(281)	CFW4
Short Term Support – client costs	557	521	(36)	(48)	12	CFW5
Social Support – Adult Placement / Carers Commissioned services	849	409	(440)	(438)	(2)	CFW6
Assistive Equipment & Technology	1,473	1,480	7	53	(46)	CFW7
Social Care Activities – Care Management	11,804	10,943	(861)	(952)	91	CFW8
Information and Early Intervention – Preventative Services	934	563	(371)	(367)	(4)	CFW9
Commissioning and Service Delivery	767	471	(296)	(311)	15	CFW10
Non-Adult Social Care – Supporting People	0	0	0	0	0	CFW11
DH Funding and un-allocated savings (Note 1)	(6,328)	(6,068)	260	260	0	CFW12
<b>CFW Adults Total</b>	<b>48,813</b>	<b>46,356</b>	<b>(2,457)</b>	<b>(2,242)</b>	<b>(215)</b>	
<b>Community Health &amp; Wellbeing Portfolio</b>						
Public Health	(867)	(676)	191	0	191	CFW13
<b>CFW Public Health Total</b>	<b>(867)</b>	<b>(676)</b>	<b>191</b>	<b>0</b>	<b>191</b>	
<b>CFW Total</b>	<b>76,041</b>	<b>74,937</b>	<b>(1,104)</b>	<b>(1,089)</b>	<b>(15)</b>	

<b>Business Reason / Area (Subjective analysis)</b>	<b>P10 Outturn Variance (£000's)</b>	<b>P9 Outturn Variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Children's</b>				
Management of staff budgets	(379)	(186)	(193)	CFW2, CFW3
Transport Costs	74	74	0	CFW3
Client Need	1,621	1,469	152	CFW2
YOS Remand Placements	(63)	(70)	7	CFW2
Income	148	40	108	CFW2
Other running costs	(239)	(174)	(65)	CFW2, CFW3
<b>Total Children's</b>	<b>1,162</b>	<b>1,153</b>	<b>9</b>	
<b>Adults</b>				
Management of staff budgets	(1,158)	(1,256)	98	CFW8, 10
Client Need	(756)	(487)	(269)	CFW4, CFW5
Other running costs	(543)	(499)	(44)	CFW6,7,9,10, CFW11
<b>Total Adults</b>	<b>(2,457)</b>	<b>(2,242)</b>	<b>(215)</b>	
<b>Public Health</b>	<b>191</b>	<b>0</b>	<b>191</b>	
<b>Total CFW</b>	<b>(1,104)</b>	<b>(1,089)</b>	<b>(15)</b>	



## NOTES ON VARIANCES AND PERIOD MOVEMENTS

### CHILDREN'S SERVICES

#### **CFW1 – DSG Reserve b/fwd.**

- The anticipated overspend within DSG is projected to be £0.514m representing a reduction to the overspend reported at period 9 of £(0.342)m due to reduced expenditure within the high needs area. The estimated DSG reserve balance at year-end is now forecast to be £(0.649)m. The greatest pressure on the DSG is increasing numbers in SEN and the High Needs Block of the DSG being frozen. The significant reliance on the DSG reserve has been addressed for 2016/17 by reviewing school allocations and this has been agreed by the schools Funding Forum on 19 January 2015. A consultation on a new funding formula for schools is expected shortly and it is hoped this will address the low funding position of Trafford schools.

#### **CFW2 – Children's Social Services (Including CAN) £1.615m adverse variance**

- There is a projected overspend of £1.621m, on client care packages as analysed in the table in Appendix 2. The main variances are in respect of welfare secure places, external children's homes, agency foster care and adoption places. The increases in cost are due to a combination of demographic growth and the complexity of need of children in care with more children requiring high cost specialist placements. £1.378m of the projected variance relates to external children's homes even though this is as a result of only 7.25 additional placements over the year, indicating the volatility of this particular budget. There is an adverse variance of £0.230m for welfare secure places which relates to 0.71 additional places. There is also an adverse variance of £0.211m on agency foster placements which equates to 4.71 placements; this reflects a national trend following high profile reports into major failings such as at Rotherham. There is a favourable variance of £(0.180)m in relation to the low numbers of Trafford children in need of adoptive placements. This significant reduction has had an impact on numbers of children placed for adoption.
- There is a projected shortfall in adoption income of £0.385m, although this is partially offset by the reduction in adoption costs referenced above. It has become apparent that in the North West the number of recruited adopters is exceeding the number of children awaiting adoption. This resulted from a legal judgement that placed a greater emphasis on a child returning home or to family members prior to consideration of adoption. We are currently developing an expression of interest with neighbouring LA's to for a Regional Adoption Agency in line with national policy.
- Staffing costs underspend on Children's social care £(0.190)m.
- There is additional income for CAN placements of £(0.089)m as a result of Continuing Health Care assessments that have identified eligible expenditure for children with complex health needs,

- General running costs favourable variance £(0.085)m.
- Other variances - adoption grant £(0.027)m.

### **CFW3 – Various - £(0.453)m favourable**

#### **Education Early Years**

- Favourable variance due mainly to staffing underspends £(0.169)m.

#### **Commissioning running costs**

- Forecast underspend on personalisation and supporting people contracts £(0.207)m.

#### **MARAS**

- Favourable variance due to staffing £(0.023)m.

#### **Early Help Delivery Model**

- Forecast saving £(0.054)m due to increased income.

### **ADULTS' SERVICES**

### **CFW4 – Long term client costs - £(0.720)m favourable**

- The forecast is based on those clients who have received packages of care in the year to date which may have closed and those currently open within the Liquid Logic system projected for the remainder of the year. An adjustment has been made of £(0.089)m for savings which are expected to be made against client costs for the remainder of the year based on Transformation projections. Further details on client costs are included in Appendix 4.

### **CFW5 – Short term client costs - £(0.036)m favourable**

- The forecast is based on those clients who have received packages of care in the year to date which may have closed and those currently open within the Liquid Logic system projected for the remainder of the year.

### **CFW6 – Social Support – Adult Placement / Carers - £(0.440)m favourable**

- Renegotiation of contracts and funding through the Care Act grant £(0.428)m.
- Other minor variances £(0.012)m.

### **CFW7 – Assistive Equipment & Technology - £0.007m adverse**

- High volume of minor adaptations £0.131m.
- Purchase of equipment for the one stop resource centre £0.023m
- The service is taking the opportunity to capitalise expenditure associated with major aids and adaptations £(0.100)m

- Community alarms £(0.033)m
- Lift repair and maintenance £(0.021)m

### **CFW8 – Social Care Activities – Care Management teams - £(0.861)m favourable**

Vacant posts and other staffing related savings across the following teams:

- Pathways and Network £(0.167)m;
- Ascot House £(0.056)m;
- Community MH Organic team £(0.080)m;
- Community Mental Health team £(0.023)m;
- Community Social Work team £(0.224)m;
- CLDT team £(0.067)m;
- Emergency Duty Team £0.035m;
- Service manager posts £0.051m;
- Reablement £(0.389)m;
- Screening team £0.060m;
- Direct Payments team £(0.011)m;
- Other minor variances £0.010m.

### **CFW9 – Information and Early Intervention - £(0.371)m favourable**

- Extra Care Housing – underspend as Old Trafford scheme will not be operational until 2017 £(0.279)m.
- Vacancies within the benefits advice team £(0.082)m.
- Other minor variances £(0.010)m.

### **CFW10 – Commissioning & Service Delivery - £(0.296)m favourable**

- Commissioning Restructure – saving arising from restructure and vacancies in the service £(0.296)m.

### **CFW11 – Non-Adult Social Care - £Nil**

- Overall projected to be in line with budget.

### **CFW12- DH Funding and un-allocated savings - £0.260 adverse**

- Due to the underachievement of the Integrated Health & Social Care saving. This savings proposal is now subsumed within the wider discussion with Pennine Care about their integration of a wide range of services. The savings in the current year will be £(0.240)m against an original target of £(0.500)m.

### **CFW13 – Public Health - £0.191m adverse**

- After a detailed review the level of in year reduction achievable is £0.581m against the Government reduction of £0.772m.

## Client Care Packages Forecast: Month 10

Service	Budget Service Users (No.)	Budget Average weekly cost (£)	Gross Budget (£000's)	Actual Service Users (No.)	Average weekly cost (£)	Actual Gross Forecast (£000's)	Variance Service Users (No.)	Variance Gross Forecast (£000's)
Welfare Secure	0.34	5,081	90	1.05	5,861	320	0.71	230
External Children's Homes	5.86	3,048	929	13.11	3,384	2,307	7.25	1,378
Agency Foster Care	32.89	884	1,513	37.60	882	1,724	4.71	211
In-house Foster Care	94.68	319	1,570	85.98	320	1,432	(8.70)	(138)
Family and Friend Foster Care	112.04	218	1,271	111.95	234	1,360	(0.09)	89
Asylum Seekers	0.00	0	0	0.00	0	0	0.00	0
Special Guardianship	29.00	152	229	29.52	152	234	0.52	5
Assisted Residence Allowances	24.00	107	133	20.44	112	119	(3.56)	(14)
Aftercare	n/a		381	n/a		457	n/a	76
Supported Lodges	n/a		325	n/a		306	n/a	(19)
Youth Homeless	n/a		193	n/a		262	n/a	69
Adoption	13.00		923	10.00		743	(3.00)	(180)
CAN Respite	1.96	1,931	210	1.36	2,771	196	(0.60)	(14)
CAN Long Term Care	4.91	2,436	594	4.85	2,383	601	(0.06)	7
CAN Home from Home	n/a		161	n/a		158	n/a	(3)
CAN Direct Payments/Personalisation	n/a		367	n/a		291	n/a	(76)
<b>Total</b>			<b>8,889</b>			<b>10,510</b>		<b>1,621</b>

## Savings forecast: Month 10

<b>CFW Rebased Savings 2015/16</b>		<b>2015/16 Revised Reduction (£000's)</b>	<b>Forecast Saving (£000's)</b>	<b>Variance (£000's)</b>
Children with Complex Needs – use of personalisation	CS	(200)	(208)	(8)
Children in Care – expansion of in-house Children's home	CS	(50)	0	50
Home to School Transport	CS	(400)	(400)	-
Market Management	CS	(200)	(200)	-
Music Service	CS	(30)	(30)	-
Educational Psychology	CS	(100)	(100)	-
Governor Services	CS	(5)	(5)	-
Commissioning – reduction in multi-agency contracts	CS	(126)	(126)	-
Education Early Years – Early Help	CS	(3,079)	(2,892)	187
Education Early Years – Re-organisation	CS	(377)	(377)	-
Youth Offending Service	CS	(130)	(130)	-
<b>Sub-total Children Services</b>		<b>(4,697)</b>	<b>(4,468)</b>	<b>229</b>
Older People – Reablement	AS	(700)	(1,170)	(470)
LD - Re-negotiation of Contracts	AS	(13)	(13)	-
LD – Supported Living	AS	(203)	(203)	-
LD – Acceleration of Re-tendering	AS	(942)	(942)	-
PD – Telecare	AS	(116)	(116)	-
LD – Void Management	AS	(32)	(51)	(19)
Continuing Health Care	AS	(389)	(389)	-
Better Care Fund	AS	(2,000)	(2,000)	-
Voluntary and Community Sector	AS	(59)	(59)	-
LD – Ordinary Residence	AS	(1,082)	(824)	258
LD – Care Package Review	AS	(411)	(2,043)	(794)
Reshaping Trafford	AS	(838)		
LD – Development Fund	AS	(45)	(45)	-
LD – Review of Building Based Support	AS	(72)	(72)	-
Floating Support Service	AS	(230)	(230)	-
Market Management	AS	(915)	(915)	-
Integrated Health & Social Care	AS	(500)	(240)	260
Commissioning – all age structure	AS	(830)	(830)	-
Commissioning – review of non-mandatory services	AS	(1,538)	(1,538)	-
<b>Sub-total Adult Social Care</b>		<b>(10,915)</b>	<b>(11,680)</b>	<b>(765)</b>
<b>Total</b>		<b>(15,612)</b>	<b>(16,148)</b>	<b>(536)</b>

\* Within the gross shortfall of £0.187m, £0.073m relates to a decision to keep Sale West and Old Trafford Youth Centres open which has been met from a temporary budget virement from the general savings contingency in Council-wide. The remaining £0.114m will be met via one-off funding from Corporate Landlord of £0.050m and £0.064m from within the CFW Directorate from the over-achievement of other savings.

Appendix 4

Client Group	Budgeted Annual Cost (£000's)	Service Users (No.)	Average Service Users (No.)	Average Weekly Cost (£)	Forecast Annual Cost (£000's)	Variance (£000's)
<b>Learning Disability</b>						
Community Services	9,955	234	240	767	9,567	(388)
Direct Payments	4,297	209	202	450	4,731	434
Residential/Nursing	5,028	55	56	861	2,507	(2,521)
<b>Sub-total</b>	<b>19,280</b>	<b>498</b>	<b>498</b>	<b>649</b>	<b>16,805</b>	<b>(2,475)</b>
<b>Mental Health Support</b>						
Community Services	1,209	137	137	201	1,431	222
Direct Payments	599	48	46	255	610	11
Residential/Nursing	3,594	166	182	386	3,657	63
<b>Sub-total</b>	<b>5,402</b>	<b>351</b>	<b>365</b>	<b>300</b>	<b>5,698</b>	<b>296</b>
<b>Physical Support</b>						
Community Services	3,548	885	857	86	3,851	303
Direct Payments	2,861	246	243	244	3,082	221
Residential/Nursing	6,325	398	403	331	6,943	618
<b>Sub-total</b>	<b>12,734</b>	<b>1,529</b>	<b>1,503</b>	<b>178</b>	<b>13,876</b>	<b>1,142</b>
<b>Sensory Support</b>						
Community Services	188	73	69	83	299	111
Direct Payments	168	26	23	186	223	55
Residential/Nursing	469	25	29	347	524	55
<b>Sub-total</b>	<b>825</b>	<b>124</b>	<b>121</b>	<b>166</b>	<b>1,046</b>	<b>221</b>
<b>Social Support</b>						
Community Services	153	27	27	56	78	(75)
Direct Payments	124	18	17	214	189	65
Residential/Nursing	174	7	8	300	125	(49)
<b>Sub-total</b>	<b>451</b>	<b>52</b>	<b>52</b>	<b>145</b>	<b>392</b>	<b>(59)</b>
<b>Support with Memory and Cognition</b>						
Community Services	(7)	10	7	47	17	24
Residential/Nursing	72	13	9	434	203	131
<b>Sub-total</b>	<b>65</b>	<b>23</b>	<b>16</b>	<b>481</b>	<b>220</b>	<b>155</b>
<b>Total</b>	<b>38,757</b>	<b>2,577</b>	<b>2,555</b>	<b>286</b>	<b>38,037</b>	<b>(720)</b>

## TRAFFORD MBC

**Report to:** Economic Growth, Environment and Infrastructure  
Directorate Management Team

**Date:** 25 February 2016

**Report for:** Discussion

**Report author:** Finance Manager

Report Title

## Revenue Budget Monitoring 2015/16 – Period 10 (April 2015 to January 2016)

**1. Forecast Outturn for the Year**

- 1.1 The approved revenue budget for the year is £32.178m. The forecast outturn is £31.463m, which is £(0.715)m under the approved budget. The underspend has increased by £(0.157)m since last reported.
- 1.2 The increased underspend includes £(0.068)m from updated forecasts of staff vacancies, which are in the process of being filled following the restructure of the Directorate during 2015. There is also a £(0.025)m reduction in general running costs and £(0.022)m from the Waste levy which is now forecast to be on target. There is additional income of £(0.022)m from Manchester Airport rent and £(0.040)m from other areas of the let estate, offset by a £0.020m reduction from other income sources across the Directorate.
- 1.3 The approved budget for 2015/16 includes savings of £(2.814)m and all are projected to be delivered in full (paragraph 4). Savings include £(2.250)m from the One Trafford partnership with Amey LG for Environmental, Highways, Street Lighting, Technical and Property Services.
- 1.4 The One Trafford partnership contract commenced on 4th July 2015 for 15 years, and will be monitored through the payment and performance mechanism agreed with Amey as part of the procurement process. The budget monitoring reported for services in-scope will reflect actual and forecast economic activity both before and after the contract start date.
- 1.5 For traded services (catering and cleaning) there is a forecast net surplus of £(0.252)m at the end of March 2016, which is £(0.028)m higher than last reported. The service manages its costs and income over school terms and academic years rather than financial years and any surplus at the end of March is expected to be required to continue investment in the service and in particular improve readiness for the new academic year in September 2016.
- 1.6 The Directorate has brought forward balances of £(1.738)m from previous years (paragraph 3). This will be utilised for one-off budget pressures in 2015/16 and also to support initiatives to protect services and deliver future efficiencies and income generation. The balance after known commitments and the forecast outturn is £(0.517)m.
- 1.7 This is the eighth monitoring report for the 2015/16 and the information available to produce the forecast outturn will continue to be refined and subject to change as the financial year end approaches. The main assumptions included in the financial forecasts are listed in paragraph 5.

## **2. Summary of Variances**

- 2.1 The overall favourable variance of £(0.715)m reflects a number of individual under and overspends across the diverse areas of the Directorate, as detailed in Appendix 1 and summarised below.
- 2.2 A favourable one-off income variance is projected from Oakfield Road car park £(0.200)m, which is £(0.030)m higher than last reported. There is also one-off additional back rent income of £(0.087)m from Stretford Arndale which was notified from the managing agent in November 2015 and relates to 2014/15.
- 2.3 Income from other fees and charges is higher than budgeted for the GM Road Access Permit Scheme £(0.010)m, airport rent £(0.043)m and planning fees £(0.182)m. There are income shortfalls forecast relating to building control £0.096m, bulky and commercial waste £0.010m, parking (including fines) £0.080m. In addition, fee income from capital schemes is £0.132m lower than budgeted for the period before the One Trafford contract start date. Total overall income is forecast to be £(0.218)m above budget, which is £(0.042)m higher than last reported.
- 2.4 There are a number of favourable variances relating to staffing budgets as a result of turnover or vacancy management £(0.402)m. This is a favourable movement of £(0.068)m from last reported across a number of service areas due to updated forecasts of the timing and number of staff starters and leavers expected for the remainder of the year.
- 2.5 Other running costs are projected to be £(0.095)m underspent, which is £(0.047)m less than last reported.
- 2.6 Management action will continue over the financial year end period and into 2016/17 to ensure that essential services are delivered within budget and to seek out opportunities for future financial benefits. This includes:
- Only necessary spending on supplies and services to be approved;
  - Systematic monitoring and evaluation of existing and potential new income streams;
  - Analysis of rechargeable work for both revenue and capital schemes;
  - Additional improvements to efficiency through service redesign and better procurement;
  - Potential to accelerate future savings proposals.

## **3. Reserves**

- 3.1 At the end of 2014/15 the Directorate had a surplus on accumulated balances of £(1.738)m, which was carried forward to 2015/16. This was a result of the successful management of budget pressures and additional income generation in the last three years.
- 3.2 The remaining balance on the EGEI Directorate Reserve after the forecast outturn for 2015/16, future known commitments and re-phasing of projects is £(0.517)m (table below). The EGEI Reserve will be utilised on initiatives to generate future savings and income generation to support service provision within the on-going revenue budget constraints. The reserve may also be required for other one-off budget pressures arising during the year.



<b>Utilisation of Carry forward Reserve 2015/16</b>	<b>(£000's)</b>
EGEI Surplus balance brought forward at 1 April 2015	(1,738)
Commitments	1,936
Period 10 forecast outturn (favourable)	(715)
<b>Balance after known commitments</b>	<b>(517)</b>

#### 4. Savings

- 4.1 The approved Directorate budget includes 2015/16 savings of £(2.814)m, and all are projected to be achieved in full over the financial year, as follows :

	<b>Budget (£000's)</b>	<b>Forecast (£000's)</b>	<b>Variance (£000's)</b>
Efficiencies and others	(2,336)	(2,336)	0
Increased and new income	(324)	(324)	0
Policy Choice	(154)	(154)	0
<b>Total EGEI</b>	<b>(2,814)</b>	<b>(2,814)</b>	<b>0</b>

#### 5. Forecasting and Risk

- 5.1 There are key assumptions and/or areas of risk in producing the forecast outturn. These are listed below but will generally reduce as the financial year progresses and as data becomes confirmed.
- One Trafford partnership – the budget monitoring for services in-scope reflects economic activity both before and after the contract start date of 4<sup>th</sup> July 2015. A number of activities and works cross cut the contract start date (e.g. works in progress), plus a number of temporary arrangements are in place to ensure business continuity during the first contract year (e.g. continued collection of income on behalf of Amey). All related financial transactions are being allocated and recharged between the Council and Amey over the relevant periods.
  - The One Trafford contract is monitored using the payment and performance mechanism agreed as part of the procurement process. This is designed to incentivise performance to the standards agreed and the Council has the ability to deduct fees in cases of non-performance. This forms part of the monthly billing and review process.
  - The wholesale price of energy which the Council procures influences only around 50% of the Council's energy bill. The remainder is influenced by transmission and distribution costs – for example Distribution Use of System Charges are passed on to the Council by the Distribution Network Operator, and are unavoidable. There is hence a risk of unforeseen energy cost increases which are not bound by the Council's contracted prices.
  - Fee income from capital works varies depending on the progress of delivering the approved capital programme during the year. The full year budget assumption from fees is £(2.000)m and this risk has effectively been transferred to Amey from July 2015 for services in-scope of the One Trafford partnership (e.g. Highways and Property). The contract is structured in a way which incentivises Amey to progress in delivering the programme on time. However, the charging of capital fee income will still need to be

monitored against the profile for both the pre and post contract budgets as capital works progress.

- Demand led fees and charges income, such as from Parking, Licensing, Planning and Building Control, will vary based on economic conditions and customer behaviour. All fees and charges are monitored weekly or monthly, with trends and previous profiles used to inform forecasts. For services in-scope of the One Trafford partnership, fee income is guaranteed in the contract price. The Council will also share in any additional income generated by Amey under the contract. Adjustments and recharges are being actioned in the Council's accounts for any income collected on behalf of Amey during the transition period.
- Investment property income – this varies depending on economic factors, and includes income from shopping centres (e.g. Stretford Arndale) where lettings and rents are the responsibility of the owners of the properties. This can include backdated rent income notified by managing agents later in the year. Property is managed by Amey under the One Trafford partnership although the Council is still billing and recovering these rents under the continuing contract transition arrangements.
- Weather related incidents impact on costs and income, particularly during the winter months. This includes increased winter maintenance costs (gritting etc.), pot hole damage to highways, tree and other infrastructure damage. These services are largely in-scope of the One Trafford partnership and this risk has effectively been transferred to Amey under the contract as the service fee payable is fixed for the year in advance. The Directorate has £0.120m in a Winter Maintenance reserve to smooth any exceptional pressures across financial years, if required.
- GM Waste Disposal Authority levy – each month the WDA notifies GM Councils of variances in the actual tonnages of waste delivered compared to that assumed when setting the levy at the start of the year. This results in an additional cost or rebate per Council. Actual tonnages can be affected by weather and also customer behaviour, for example levels of recycling. The latest notification from the WDA indicates disposal costs are estimated in line with budget, which is an improvement from previous reports which had included an estimated £0.022m overspend against budget.

## **6. Recommendations**

- 6.1 It is recommended that the forecast outturn be noted.

**Period 10 Forecast Outturn revenue expenditure and income variances.**

The following tables detail the main variances from the revenue budget to the forecast outturn, and the movements since the last monitoring report, in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

<b>Economic Growth, Environment &amp; Infrastructure Budget Book Format (Objective analysis)</b>	<b>Full Year Budget (£000's)</b>	<b>P10 Forecast Outturn (£000's)</b>	<b>P10 Forecast Variance (£000's)</b>	<b>P9 Forecast Variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
Highway and Network Management, including Traffic & Transportation	3,413	3,373	(40)	(40)	0	EGEI1
Groundforce	4,201	4,300	99	99	0	EGEI2
Sustainability & Greenspace	335	276	(59)	(64)	5	
Bereavement Services	(1,128)	(1,121)	7	5	2	
Waste Management (incl. WDA levy)	19,561	19,558	(3)	19	(22)	EGEI3
Public Protection & Enforcement	766	762	(4)	10	(14)	
Parking Services	(539)	(733)	(194)	(195)	1	EGEI4
School Crossing Patrols	403	383	(20)	(16)	(4)	
Strategic Support Services	577	443	(134)	(102)	(32)	EGEI5
<b>Sub-total Environment &amp; Operations Portfolio</b>	<b>27,589</b>	<b>27,241</b>	<b>(348)</b>	<b>(284)</b>	<b>(64)</b>	
Property and Development	2,587	2,450	(137)	(75)	(62)	EGEI6
Economic Growth	795	659	(136)	(107)	(29)	EGEI7
Housing Strategy	500	448	(52)	(45)	(7)	EGEI8
Strategic Planning & Development	488	447	(41)	(45)	4	
Planning & Building Control	(146)	(147)	(1)	(2)	1	EGEI9
Directorate Strategic Management	374	374	0	0	0	
<b>Sub-total Economic Growth &amp; Planning Portfolio</b>	<b>4,598</b>	<b>4,231</b>	<b>(367)</b>	<b>(274)</b>	<b>(93)</b>	
<b>Operational Services for Education (Catering &amp; Cleaning Traded Service)</b>	<b>(9)</b>	<b>(9)</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Forecast Outturn Period 10</b>	<b>32,178</b>	<b>31,463</b>	<b>(715)</b>	<b>(558)</b>	<b>(157)</b>	

<b>Economic Growth, Environment &amp; Infrastructure Business Reason / Area (Subjective analysis)</b>	<b>P10 Outturn Variance (£000's)</b>	<b>P9 Outturn Variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Highways and Network Management incl. Traffic &amp; Transportation</b>				
Income shortfall, including moving traffic offences	6	6	0	
GMRAPs income above budget	(10)	(10)	0	
Capital fee income shortfall	75	75	0	
Staff vacancies	(12)	(12)	0	
Running costs	(25)	(25)	0	
Energy – Street Lighting	(60)	(60)	0	
<b>Depot &amp; Business Support</b>				
Supplies & Services	(14)	(14)	0	
<b>Sub-total</b>	<b>(40)</b>	<b>(40)</b>	<b>0</b>	EGEI1
<b>Groundforce</b>				
Staffing and Transport costs	55	55	0	
Other running costs – contractors, plant hire, fuel	44	44	0	
<b>Sub-total</b>	<b>99</b>	<b>99</b>	<b>0</b>	EGEI2
<b>Sustainability &amp; Greenspace</b>				
Vacancy, supplies & services	(54)	(53)	(1)	
Income above budget	(5)	(11)	6	
<b>Sub-total</b>	<b>(59)</b>	<b>(64)</b>	<b>5</b>	
<b>Bereavement Services</b>				
Staffing and running costs	(40)	(28)	(12)	
Income shortfall	47	33	14	
<b>Sub-total</b>	<b>7</b>	<b>5</b>	<b>2</b>	
<b>Waste Management and Disposal</b>				
Staffing and running costs	(13)	(13)	0	
Income shortfall – bulky and commercial waste	10	10	0	
GM Waste disposal levy	0	22	(22)	
<b>Sub-total</b>	<b>(3)</b>	<b>19</b>	<b>(22)</b>	EGEI3

<b>Economic Growth, Environment &amp; Infrastructure Business Reason / Area (Subjective analysis)</b>	<b>P10 Outturn Variance (£000's)</b>	<b>P9 Outturn Variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Public Protection &amp; Enforcement</b>				
Staffing costs	5	14	(9)	
Income above budget, including licences	(9)	(4)	(5)	
<b>Sub-total</b>	<b>(4)</b>	<b>10</b>	<b>(14)</b>	
<b>Parking Services</b>				
Staffing & running costs	(74)	(69)	(5)	
Oakfield Road car park remaining open	(200)	(170)	(30)	
Income shortfall – other locations and fines	80	44	36	
<b>Sub-total</b>	<b>(194)</b>	<b>(195)</b>	<b>1</b>	EGEI4
<b>School Crossing Patrols - vacancies</b>	<b>(20)</b>	<b>(16)</b>	<b>(4)</b>	
<b>Director &amp; Business Support</b>				
Staffing and Running costs	(134)	(102)	(32)	EGEI5
<b>Sub-total Environment &amp; Operations Portfolio</b>	<b>(348)</b>	<b>(284)</b>	<b>(64)</b>	
<b>Property and Development</b>				
Investment Property Rental Income:				
- Stretford Arndale – one off back rent 14/15	(87)	(87)	0	
- Urmston Town Centre – one-off surplus	(11)	(11)	0	
- Airport – surplus	(43)	(21)	(22)	
- Other properties - surplus	(48)	(8)	(40)	
Community buildings – income/running costs	29	29	0	
Admin Buildings running costs	(60)	(60)	0	
Facilities Management/other staffing vacancies	(45)	(45)	0	
Other running cost variances	65	65	0	
Major projects capital fee income shortfall	63	63	0	
<b>Sub-total</b>	<b>(137)</b>	<b>(75)</b>	<b>(62)</b>	EGEI6
<b>Economic Growth</b>				
Staffing vacancies	(142)	(124)	(18)	
Other running costs	6	17	(11)	
<b>Sub-total</b>	<b>(136)</b>	<b>(107)</b>	<b>(29)</b>	EGEI7

<b>Economic Growth, Environment &amp; Infrastructure Business Reason / Area (Subjective analysis)</b>	<b>P10 Outturn Variance (£000's)</b>	<b>P9 Outturn Variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Housing Strategy</b>				
Staffing	(37)	(36)	(1)	
Running costs	(15)	(9)	(6)	
<b>Sub-total</b>	<b>(52)</b>	<b>(45)</b>	<b>(7)</b>	EGEI8
<b>Strategic Planning &amp; Development</b>				
Staffing/running costs savings	(41)	(45)	4	
<b>Planning &amp; Building Control</b>				
Planning applications income	(182)	(165)	(17)	
Building Control income shortfall	96	80	16	
Staffing including interim support	63	58	5	
Other running costs	22	25	(3)	
<b>Sub-total</b>	<b>(1)</b>	<b>(2)</b>	<b>1</b>	EGEI9
<b>Sub-total Economic Growth &amp; Planning Portfolio</b>	<b>(367)</b>	<b>(274)</b>	<b>(93)</b>	
<b>Total Forecast Outturn EGEI Period 10</b>	<b>(715)</b>	<b>(558)</b>	<b>(157)</b>	

### Summary Variance Analysis Period 10

<b>All Services</b>	<b>Savings £000</b>	<b>Staff £000</b>	<b>Running Costs £000</b>	<b>Income £000</b>	<b>Total Variance £000</b>
<b>Period 9</b>	0	(334)	(48)	(176)	(558)
<b>Period 10</b>	0	(402)	(95)	(218)	(715)
<b>Period Movement</b>	<b>0</b>	<b>(68)</b>	<b>(47)</b>	<b>(42)</b>	<b>(157)</b>

### ADDITIONAL NOTES ON FORECAST OUTTURN VARIANCES

#### **EGEI1 – Highways & Network Management - £(0.040)m (favourable)**

Income generation of £(0.030)m is included in the budget from moving traffic offences. This is part of an AGMA initiative to improve safety and traffic flows on major routes and the project timeline has been re-phased to later in 2016.

Running costs are expected to be £(0.025)m under budget over a number of service areas. This mainly reflects forecasts of maintenance costs in highways and street lighting up to the 4<sup>th</sup> July 2015 commencement date of the One Trafford contract with Amey.

Staffing is £(0.012)m underspent for the period before the commencement of the One Trafford contract.

There is additional income above budget of £(0.010)m from the Greater Manchester Road Access Permit Scheme, which was implemented during 2013/14.

Fee income from technical and consultancy work charged to capital schemes is projected to be £0.075m below budget due to the timing of capital works up to the commencement of the One Trafford contract. The on-going risk has effectively been transferred to Amey from July 2015 and the contract is structured in a way which incentivises Amey to progress in delivering the programme on time.

Street Lighting energy costs are projected to be £(0.060)m less than budgeted based on latest projected usage volumes and the contract prices from April 2015.

#### **EGEI2 – Groundforce - £0.099m (adverse)**

Staffing, plant, contractor and transport costs are £0.099m overspent relating to the services provided prior to the One Trafford contract. This includes additional one off contract costs of £0.033m relating to the final return of externally hired plant and equipment at the end of the autumn season.

#### **EGEI3 – Waste Management and Disposal - £(0.003)m (favourable)**

There is an underspend in staffing and contract costs of £(0.013)m for the period prior to the commencement of the One Trafford contract. Bulky waste and commercial waste income is £0.010m less than expected for this period.

The latest information from GM Waste Disposal Authority is that the levy cost will be in line with budget. This is an improvement from previous reports which had indicated that costs would be £0.022m above budget.

#### **EGEI4 – Parking Services – £(0.194)m (favourable)**

The approved budget from 2013/14 included assumptions regarding the partial, then full closure of Oakfield Road car park during the year as part of the regeneration of Altrincham Town Centre. The re-phasing of the town centre project has resulted in forecast income being £(0.200)m above budget, which has continued from last year. This is £(0.030)m higher than last reported based on latest forecasts.

Other car parking income, including fines, is projected to be £0.080m below budget, which is an adverse movement of £0.036m from last reported.

The parking enforcement contract and other running costs are expected to be £(0.074)m underspent, which is £(0.005)m higher than last reported.

#### **EGEI5 – Director and Business Support – £(0.134)m (favourable)**

There is a forecast underspend on senior management staffing due to vacancies and on-going restructuring. This is £(0.032)m higher than last reported based on revised estimates of staff starting and leaving dates.

#### **EGEI6 – Property and Development - £(0.137)m (favourable)**

The Agents for the owners of Stretford Arndale have continued to maintain a number of short term lettings to ensure the number of vacant units is minimised and this has held up gross rental income. A final year-end rental payment for 2014/15 of £(0.087)m was

notified in November 2015 which is above the expectations included when setting the budget.

Manchester Airport rent is £(0.043)m above budget based on notification from Manchester City Council of new rent levels. This includes an additional £(0.022)m received in January 2016.

Fee income from capital and external projects is £0.063m less than budgeted for the period up to the commencement of the One Trafford contract which reflects the phasing of capital works. The on-going risk has effectively been transferred to Amey from July 2015 and the contract is structured in a way which incentivises Amey to progress in delivering the programme on time.

Administrative building running costs are less than expected across the portfolio by £(0.060)m. This includes a £(0.053)m underspend relating to the catering concession at Altrincham Town Hall.

#### **EGEI7 – Economic Growth Team – £(0.136)m (favourable)**

There is an underspend in staffing and running costs of the Altrincham Town Team as service review and potential re-design is implemented in this area. The overall staffing underspend has increased by £(0.018)m since last reported based on latest estimates of filling vacant posts across the service area. The service was restructured during 2015 and remaining vacancies are expected to be filled in the early part of 2016.

#### **EGEI8 – Housing Strategy – £(0.052)m (favourable)**

Staffing costs are forecast to be £(0.038)m underspent due to secondments, with running costs including the housing options contract £(0.015)m underspent.

#### **EGEI9 – Planning and Building Control – £(0.001)m (favourable)**

Projected income from planning fees is £(0.182)m higher than budgeted which is a trend continuing from last financial year. This is £(0.017)m above last reported based on latest income forecasts. There is a projected shortfall in income from building control fees of £0.096m, which is also a continuation of difficult trading conditions and external competition. The shortfall is £0.016m higher than last reported and the service is reviewing its business plan to improve its financial position. Both fees are monitored regularly.

There is a projected overspend on staffing of £0.063m which reflects the appointment of interim staff to cover vacancies and address the resulting capacity issues. These posts contribute to the achievement of the additional planning income above. The permanent filling of vacant posts will be addressed early in 2016 following the recent restructure of the Directorate. Running costs are £0.022m higher than budget, which includes ICT system improvements.

#### **EGEI10 – Traded Services (Catering and Cleaning)**

There is a net traded surplus forecast for the end of March 2016 of £(0.252)m, which is £(0.028)m higher than last reported based on latest trading figures. However, the service manages its costs and income over school terms and academic years rather than financial years and any surplus at the end of March is earmarked to continue the investment in the service. This is particularly to improve readiness for the new academic year in September 2016.



## TRAFFORD MBC

**Report to:** Transformation and Resources Directorate Management Team  
**Date:** 26 February 2016  
**Report for:** Discussion  
**Report author:** Finance Manager

Report Title

## Revenue Budget Monitoring 2015/16 – Period 10 (April 2015 to January 2016)

**1. Forecast Outturn for the Year**

- 1.1 The approved revenue budget for the year is £17.026m with a forecast outturn of £16.265m. This results in a projected underspend of £(0.761)m, which is £(0.113)m higher than last reported.
- 1.2 The increase in the underspend includes £(0.049)m from updating the forecast filling of staff vacancies, and £(0.063)m from running costs following a review of the timing of spending commitments as the financial year end approaches. The key variances and movements are shown in section 2 below and Appendix 1.
- 1.3 The overall forecast underspend for the Directorate reflects £(0.723)m from higher than expected staff vacancy levels, £(0.141)m from cost control of running expenses, and £(0.184)m from higher levels of income. These underspends are partially offset by a reduction in the planned level of savings of £0.287m.
- 1.4 The Directorate has brought forward balances of £(1.501)m from previous years (section 3). This will be utilised to support initiatives to reshape Trafford and deliver future efficiencies and income generation. The balance after known commitments and the forecast outturn is £(1.766)m.

**2. Summary of Variances**

- 2.1 The overall underspend of £(0.761)m reflects a number of individual under and overspends across the Directorate, with comments on the main variances from budget and movements from the last report shown below.

**Staffing**

- 2.2 Forecast staffing costs based on actual and projected vacancies are £(0.723)m less than budget across the Directorate. Vacancy levels are projected to be approximately 3.6% higher than assumed in the setting of the 2015/16 budget, and is a consequence of a delay in appointing to a number of vacancies on some service restructures. Vacancies are forecast on a post by post basis each month and the projected underspend has increased by £(0.049)m from the last report. This increase reflects updated estimates of the timing of filling vacancies during the remainder of the financial year.

**Running Costs**

- 2.3 General running costs are forecast to be underspent by £(0.066)m. There are a number of spending commitments (e.g. on project based activities) assumed in the projections which may cross over the financial year end period. In these cases the

budgets can be carried over in Directorate reserves if required. A review of these commitments has resulted in a reduction of £(0.063)m in projected running costs from last reported. In addition, a one-off saving will be realised of £(0.075)m as a result of the successful settlement of a claim in relation to supplier performance in ICT where liability has been acknowledged.

### Savings

- 2.4 The projected £0.287m shortfall in savings relates to Library Service and ICT proposals for 2015/16 of £0.137m and £0.150m respectively. Further details are listed below in paragraph 4.

### Income

- 2.5 The £(0.184)m from additional external income is a net figure. This includes a £0.078m shortfall from CCTV services. Work is on-going to redesign the CCTV service delivery model, which has been continued from 2014/15, and will deliver sustainable benefits going forward.
- 2.6 Income relating to legal costs charged to capital schemes is also £0.042m less than budgeted. This is affected by external factors and levels of staff vacancies, and the service is forecast to fully mitigate this shortfall within its overall budget accordingly.
- 2.7 There is a £0.050m shortfall in budgeted Council tax liability order income. This income reduces as council tax collection rates improve but is offset in the Council's separate Collection Fund account. This budget has been realigned in 2016/17 in the recently approved budget.
- 2.8 The income shortfalls are offset in the main by £(0.155)m of additional income from grants in the Revenues and Benefits Service. The Revenue and Benefits Service has had a number of grants awarded in-year and rolled forward from 2014/15 to support spending, leading to increased levels than budgeted at the start of the year.
- 2.9 Additional income is also included relating to events and advertising £(0.013)m plus from traded activities in Legal and Democratic Services £(0.051)m and Human Resources £(0.081)m. There is also external grant income of £(0.040)m relating to the costs of administering the Council's blue badge scheme and £(0.028)m for Safer Communities projects.

### 3. Reserves

- 3.1 At the end of 2014/15 the Directorate had a surplus of £(1.501)m in its reserve, which has been carried forward to 2015/16. This was a result of the successful management of the budget in previous years.
- 3.2 The remaining balance on the T&R Directorate Reserve after the forecast outturn for 2015/16, future known commitments and re-phasing of projects is £(1.766)m (table below). The T&R Reserve will be utilised on initiatives and project based activity in support of Reshaping Trafford and also to generate future savings and income generation. Commitments will be underpinned by business cases and will be reviewed each month as the financial year progresses.

<b>Utilisation of Carry forward Reserve 2015/16</b>	<b>(£000's)</b>
T&R Surplus balance brought forward at 1 April 2015	(1,501)
Commitments	496
Period 10 forecast outturn (underspend)	(761)
<b>Balance after known commitments</b>	<b>(1,766)</b>

#### 4. Savings

- 4.1 The T&R budget for 2015/16 includes savings of £(2.848)m. This originally included £0.550m in respect of the libraries rationalisation but this figure was revised down by £0.050m when the outcome of the second phase of consultation was reported to Executive in March 2015. This reduction has been met from savings in the Treasury Management budget as a consequence of rephasing of the capital programme in 2014/15. The updated T&R savings target for 2015/16 is therefore £(2.798)m and actual savings of £(2.572)m are forecast to be achieved with £0.226m of savings re-phased and £0.061m requiring alternative solutions.

<b>Saving Description</b>	<b>Savings Shortfall (£000's)</b>
Libraries re-phased saving (a)	137
ICT re-phased procurement savings (b)	89
ICT savings not able to be realised (b)	61
<b>Total</b>	<b>287</b>

- 4.2 The shortfall in savings delivery is reflected in the forecast outturn and are summarised below:

- (a) Libraries – an overall £(0.500)m saving is included in the approved revenue budget. This includes both staffing and property cost reductions. Due to additional consultations and re-phasing of delivery plans, £(0.363)m is expected to be achieved in 2015/16. This gives a shortfall of £0.137m in-year, which has been fully mitigated by management action within the Access Trafford budget. The saving will be delivered in full during 2016/17.

The £0.137m shortfall relates to a delay in the closure of libraries (Bowfell, Davyhulme and Lostock, the redevelopment of Hale and Timperley Libraries) and changes to in-year delivery at Coppice as part of the consultation process.

Whilst the delay in implementing some library changes has impacted on savings overall there are significant benefits to the Council in terms of the final proposals agreed. With redevelopment of a number of sites to include residential dwellings which will attract new homes bonus, council tax and a capital receipt.

- (b) ICT savings of £(0.750)m are included in the approved budget. This includes staffing and contract procurement reductions. Savings of £(0.600)m are forecast to be achieved in 2015/16; a shortfall of £0.150m as follows:
- £0.089m relates to procurement processes which have taken longer than planned.
  - Savings of £0.061m will not be achieved following a further technical assessment of individual proposals. This relates mainly to the installation of new back up arrangements where realisation of the saving is now unlikely and alternative measures are being sought.

The primary mitigation to address these shortfalls is via a review of all ICT Third Party spend ( max c. £1.8m including Networks and SAP). Work is underway with Procurement to review all contracts with the aim of aggregating the spend with fewer or single suppliers. SAP and AGMA contracts are potentially out of scope due to the nature of existing commercial arrangements which would reduce the spend included in this current review to a max of approximately

£0.4m. Procurement have completed the market testing and this has resulted in four vendors presenting back to Trafford with two who are realistic prospects. It is clear from the presentations that there is potential to reduce the spend by up to 20%. The Trafford spend of £0.4m on its own is considered relatively small and as such Procurement have advised the other AGMA authorities of the opportunity and we are awaiting feedback to join with Trafford on a joint broader procurement to deliver better value. To date Manchester Fire and Rescue have responded to request more information. Manchester have been requested to express an “in or out” view on joining with Trafford on this exercise.

The current WAN (network) service was retendered in October 2015 and following evaluation of bids the contract has been awarded to Virgin Media from 1<sup>st</sup> January 2016. The expected full year savings from this date are in line with the original forecast of £(0.076)m.

- 4.3 The shortfall in savings against budget is forecast to be fully mitigated by in-year net underspends from the management and monitoring of the whole Directorate budget (e.g. through vacancies, running costs, income generation).

## **5. Forecasting and Risk**

- 5.1 The key assumptions and areas of risk in the forecast outturn are:

- Court costs and Barrister fees are volatile, with the quantity of cases being determined in-year and the costs of the individual cases being highly variable.
- The approved budget and forecasts include assumptions around staff turnover and vacancies – this is approximately 3.5% of the staffing costs on average. The actual level and timing of vacancies is difficult to predict on a service by service basis but trends from recent years indicate overall underspend projections increase as the year progresses.
- External income can relate to external factors which are difficult to predict, such as customer behaviour, and can also be affected by unexpected changes in levels of staff vacancies.
- The Directorate has a number of budgets related to project based activities where commitments can cross over the financial year end due to the phasing of the project. This can result in underspends at financial year end which will need to be carried over to the new financial year as required.

## **6. Recommendations**

- 6.1 It is recommended that the forecast outturn be noted.

**Period 10 Forecast Outturn revenue expenditure and income variances.**

The following tables detail the main variances from the revenue budget to the forecast outturn, and the movements since the last monitoring report, in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

<b>Transformation and Resources Budget Book Format (Objective analysis)</b>	<b>Full Year Budget (£000's)</b>	<b>10 Forecast Outturn (£000's)</b>	<b>P10 Forecast Variance (£000's)</b>	<b>P9 Forecast Variance (£000's)</b>	<b>Period Movement (£000's)</b>
Legal and Democratic Services	2,289	2,169	(120)	(89)	(31)
Access Trafford	2,553	2,560	7	18	(11)
ICT Services	2,040	2,053	13	45	(32)
Communications	255	182	(73)	(74)	1
Finance Services	4,435	4,138	(297)	(291)	(6)
Partnerships and Communities	1,503	1,516	13	16	(3)
Culture and Sport	1,161	1,192	31	20	11
Human Resources	2,236	1,901	(335)	(293)	(42)
Executive	361	361	0	0	0
Transformation	193	193	0	0	0
<b>Total Forecast Outturn Period 10</b>	<b>17,026</b>	<b>16,265</b>	<b>(761)</b>	<b>(648)</b>	<b>(113)</b>

<b>Transformation and Resources Business Reason / Area (Subjective analysis)</b>	<b>P10 Outturn Variance (£000's)</b>	<b>P9 Outturn Variance (£000's)</b>	<b>Period Movement (£000's)</b>
<b>Legal and Democratic Services</b>			
Staff vacancies net of agency costs	(109)	(84)	(25)
Other running costs	2	7	(5)
Fee income from capital schemes - shortfall	42	27	15
Additional income – StaR Procurement	(4)	(4)	0
Other income	(51)	(35)	(16)
<b>Sub-total</b>	<b>(120)</b>	<b>(89)</b>	<b>(31)</b>
<b>Access Trafford</b>			
Re-phased Library savings	137	142	(5)
Staff vacancies – contact centre	(90)	(84)	(6)
External grant income	(40)	(40)	0
<b>Sub-total</b>	<b>7</b>	<b>18</b>	<b>(11)</b>
<b>ICT Services</b>			
Re-phased savings – contact procurement	89	89	0
Other savings shortfall	61	61	0
Staff vacancies	(43)	(44)	1
One-off contract refund	(75)	(75)	0
Other running costs/income	(19)	14	(33)
<b>Sub-total</b>	<b>13</b>	<b>45</b>	<b>(32)</b>
<b>Communications</b>			
Staffing and running costs	(60)	(51)	(9)
Events and advertising income	(13)	(23)	10
<b>Sub-total</b>	<b>(73)</b>	<b>(74)</b>	<b>1</b>
<b>Finance Services</b>			
Staff vacancies	(259)	(236)	(23)
Other running costs	67	52	15
Government Grants – Revenue and Benefits	(155)	(157)	2
Council tax liability order income - shortfall	50	50	0
<b>Sub-total</b>	<b>(297)</b>	<b>(291)</b>	<b>(6)</b>
<b>Partnerships and Communities</b>			
CCTV income shortfall	78	79	(1)
Staff costs	4	10	(6)
Running costs	(28)	(27)	(1)
Other income	(41)	(46)	5
<b>Sub-total</b>	<b>13</b>	<b>16</b>	<b>(3)</b>

<b>Transformation and Resources Business Reason / Area (Subjective analysis)</b>	<b>P10 Outturn Variance (£000's)</b>	<b>P9 Outturn Variance (£000's)</b>	<b>Period Movement (£000's)</b>
<b>Culture and Support</b>			
Income shortfall	31	20	11
<b>Sub-total</b>	<b>31</b>	<b>20</b>	<b>11</b>
<b>Human Resources</b>			
Staff vacancies net of agency costs	(226)	(236)	10
Running costs (e.g. training)	(28)	2	(30)
External agency income above target	(81)	(59)	(22)
<b>Sub-total</b>	<b>(335)</b>	<b>(293)</b>	<b>(42)</b>
<b>Total Forecast Outturn T&amp;R Period 10</b>	<b>(761)</b>	<b>(648)</b>	<b>(113)</b>

### Summary Variance Analysis Period 10

<b>All Services</b>	<b>Savings £000</b>	<b>Staff £000</b>	<b>Running Costs £000</b>	<b>Income £000</b>	<b>Total Variance £000</b>
<b>Period 9</b>	292	(674)	(78)	(188)	(648)
<b>Period 10</b>	287	(723)	(141)	(184)	(761)
<b>Period Movement</b>	<b>(5)</b>	<b>(49)</b>	<b>(63)</b>	<b>4</b>	<b>(113)</b>

**TRAFFORD COUNCIL**

**Report to:** Chief Finance Officer  
**Date:** 25 February 2016  
**Report for:** Information  
**Report author:** Interim Head of Financial Management

**Report Title**

**Revenue Budget Monitoring 2015/16 – Period 10 Outturn - Council-wide Budgets  
(April 2015 to January 2016 inclusive)**

**1 Outturn Forecast**

- 1.1 The current approved revenue budget for the year is £23.669m. The outturn forecast is £21.802m, which is £(1.867)m under the budget, a favourable movement of £(0.339)m since the last report.
- 1.2 Appendix 1 details by variance area the projected outturn as compared to the approved revenue budget, with the main variances being;
- Treasury Management: £(1.893)m relating to Manchester Airport Group (MAG) dividends received above budget. This includes the interim dividend of £(1.245)m received in December 2015 which has been transferred to an Earmarked Reserve for use in supporting the 2016/17 budget. There is also £(0.180)m increased investment interest from favourable cash flows, a favourable movement of £(0.063)m compared to last month, and a reduction in loan interest payable of £(0.011)m.  
  
Also a review of the Council's Minimum Revenue Provision (MRP) has identified savings of £(1.151)m. This MRP saving has been transferred in full to the Budget Support Reserve as reported in Period 9.
  - Business Rates - favourable impact on the Council-wide budget, £(0.270)m, a small adverse movement of £0.033m since the last report (see paragraph 8 of the covering report);
  - Housing and Council Tax Benefits overpayment recovery net variance of £(0.323)m, a favourable movement of £(0.306)m since last month;
  - Members expenses – full year effect of the savings as a result of changes to the Members Allowances Scheme in September 2014, £(0.036)m and the new Government pension regulations which came into effect on 1 April 2014, £(0.014)m;
  - Coroners and Mortuary fees are higher than anticipated due mainly to higher numbers of inquests, £0.091m, partly offset by the full use of the earmarked reserve of £(0.037)m;



- Costs of the 2016/17 Budget Consultation exercise are estimated at £0.050m;
- The 2015/16 saving for the Old Car Lease scheme will be overachieved, £(0.030)m;
- Release of the unallocated general savings contingency budget, £(0.487)m;
- Other minor variances of £0.028m.

## 2 Service carry-forward reserve

- 2.1 Council-wide budgets do not have their own carry forward reserve, and the above underspend will be transferred to the General Reserve, as detailed in the summary report.

## 3 Savings

- 3.1 The Council-wide budget for 2015/16 originally included savings of £(0.310)m. This figure was increased by £(0.050)m to counter balance the shortfall in library savings (as approved by the Executive in March 2016). The updated Council-wide savings target for 2015/16 is therefore £(0.360)m and actual savings of £(0.390)m are shown below;

<b>Council-wide Base Budget Savings 2015/16</b>	<b>2015/16 Revised Savings Target £000's</b>	<b>Forecast Saving £000's</b>	<b>Variance £000's</b>
Old Car Lease Scheme	(68)	(98)	(30)
Discretionary Rate Relief to Collection Fund	(152)	(152)	-
Member's Allowances budget	(35)	(35)	-
External Audit Savings	(55)	(55)	-
Treasury Management savings *	(50)	(50)	-
<b>Total</b>	<b>(360)</b>	<b>(390)</b>	<b>(30)</b>

\* This additional target has already been met from savings in the Treasury Management budget as a consequence of rephasing of the capital programme in 2014/15.

## **4 Forecasting and Risk**

4.1 This forecast has been based on ten months of actual activity. The activity covered by Council-wide budgets is varied, and the key assumptions in the January 2016 forecast are:

- Average investment rates will be 0.81% with a cash flow of £91m.
- £5m of funds were invested on 29 September 2015 for a minimum period of 5yrs in the Church Commissioners Local Authority Property fund which is forecasted to generate annual returns of 4% to 5%.
- There will be no further Airport dividend.
- The £20m Royal Bank of Scotland variable loan will be 7.0%. There is a smoothing reserve to mitigate large variations from this assumption.
- Contingency budgets for doubtful debts and the costs of re-organisation following the implementation of budget and other savings will be sufficient. There is a contingency reserve for re-organisation costs should budgets prove insufficient.
- Council error in the award of housing benefit will be within threshold limits, and recovery of benefit overpayments will continue at previous activity levels.
- The in-year increase for the provision for bad and doubtful debts will be in line with budget.

### Period 10 Outturn revenue expenditure and income variances

The following tables detail the main variances from the revenue budget to the forecasted outturn, and the movements since the last monitoring report, in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

<b>Budget Book Format (Objective analysis)</b>	<b>Full Year Budget (£000's)</b>	<b>P10 Forecast Outturn (£000's)</b>	<b>P10 Outturn variance (£000's)</b>	<b>P9 Outturn variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Finance Portfolio</b>						
Precepts, Levies & Subscriptions	17,720	17,768	48	48		C-W5
Provisions (bad debts & pensions)	2,407	1,960	(447)	(447)		C-W6
Treasury Management	7,869	7,030	(839)	(776)	(63)	C-W1
Insurance	875	875	0	0		
Members Expenses	904	854	(50)	(50)		C-W2
Grants	(6,645)	(6,643)	2	5	(3)	
Business Rates	350	80	(270)	(303)	33	C-W3
Other Centrally held budgets	189	(122)	(311)	(5)	(306)	C-W4
<b>Total</b>	<b>23,669</b>	<b>21,802</b>	<b>(1,867)</b>	<b>(1,528)</b>	<b>(339)</b>	

<b>Business Reason / Area (Subjective analysis)</b>	<b>P10 Outturn variance (£000's)</b>	<b>P9 Outturn variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
Treasury Management:				
- MAG Dividend	(1,893)	(1,893)		C-W1
- Investment Income	(180)	(117)	(63)	C-W1
- Debt Management	(11)	(11)		C-W1
- Transfer MAG interim dividend to Earmarked Reserve	1,245	1,245		C-W1
- Minimum Revenue Provision (MRP)	(1,151)	(1,151)		C-W1
- Transfer MRP saving to Budget Support Reserve	1,151	1,151		C-W1
Members Allowances	(50)	(50)		C-W2
Business Rates	(270)	(303)	33	C-W3
Housing & Council Tax benefits	(323)	(17)	(306)	C-W4
Payment Card Industry (PCI) compliance	2	2		C-W4
VAT claims - legal fees	10	10		C-W4
Flood Defence levy	(8)	(8)		C-W5
Subscriptions	7	7		C-W5
Coroners & Mortuary fees	54	54		C-W5
Magistrates Court Debt charges	(5)	(5)		C-W5
Budget Consultation	50	50		C-W6
Old Car Leasing Scheme saving	(30)	(30)		C-W6
Leisure Services CIC costs	20	20		C-W6
Release of unallocated general savings contingency budget	(487)	(487)		C-W6
Grants	2	5	(3)	
<b>Total</b>	<b>(1,867)</b>	<b>(1,528)</b>	<b>(339)</b>	

## NOTES ON PROJECTED VARIANCES

### **C-W1 – Treasury Management - £(0.839)m (favourable), £(0.063)m favourable movement**

#### **Investments – £(0.828)m (favourable)**

This additional income has been created as a result of:

- the original dividend received from Manchester Airport Group (MAG) in July 2015 was £(2.0)m. MAG also announced their interim results for 2015/16 in November 2015 and have paid a further total dividend of £(38.6)m across the members of the Group, which for Trafford equates to £(1.245)m, bringing the total dividend for the year to £(3.245)m. This is now £(1.893)m above budget. The interim dividend of £(1.245)m has been transferred to an Earmarked Reserve for use in supporting the 2016/17 budget;
- a favourable increase in cash flow, generating £(0.097)m of additional investment income, primarily due to capital programme rephasing and grant monies received ahead of schedule. This is a favourable variance of £(0.063)m since last month and relates to re-phasing of £7.9m of 2015/16 planned capital spend, as highlighted in the recent quarter 3 capital monitoring report;
- £5m of funds were invested on 29 September 2015 for a minimum period of 5yrs in the Church Commissioners Local Authority Property fund which is forecasted to generate annual returns of between 4% and 5%, equivalent to additional investment income above budget of £(0.083)m.

#### **Debt – £(0.011)m (favourable)**

Lower than anticipated loan interest payable £(0.011)m.

A review of the Council's annual Minimum Revenue Provision (MRP) charge for capital expenditure incurred prior to 2008 has identified both short to medium term revenue savings as reported to Members at the January 2016 Council meeting. By adopting this revised approach a revenue saving of £(1.151)m will be generated in 2015/16. This saving has been transferred to the Budget Support Reserve.

### **C-W2 – Members Expenses - £(0.050)m (favourable), £nil movement**

Changes to the Members Allowances Scheme were approved at the Council meeting on 17 September 2014 following a report from the Independent Remuneration Panel (IRP). The changes have generated annual savings of approximately £(0.036)m.

Government legislation, effective from 1 April 2014, has removed the access to a Local Government Pension Scheme for Councillors. This is on a phased basis and will be applied to those Councillors re-elected in the May local elections over 3 years. The budget saving in 2015/16 will be £(0.014)m.

### **C-W3 – Business Rates - £(0.270)m (favourable), £0.033m adverse movement**

See notes in paragraph 8 of the covering report.

**C-W4 – Other Centrally held budgets - £(0.311)m (favourable), £(0.306) favourable movement**

- **Housing & Council Tax Benefits - £(0.323)m**

The Council Tax Benefit Scheme ceased in 2013 and was replaced by the Council Tax Support Scheme. Any recovery of overpaid Council Tax Benefit from previous years is retained by the Council and the outturn for 2015/16 is £(0.059)m. The credit from the recovery of overpaid Council Tax Benefit is difficult to predict and will eventually taper off.

There is a net variance of £(0.264)m, within the Housing Benefit budget. This is a significant improvement since the previous period of £(0.283)m, largely as a result of the council's activities focusing on the Fraud and Error Reduction Incentive Scheme (FERIS) coming to an end in December 2015, £(0.233)m. In previous periods, the Council had increased its activities relating to identifying fraudulent Housing Benefit applications and as a consequence had identified a larger number of cases where claimants had understated their earnings. Too much housing benefit had been paid and this subsequently resulted in a loss of subsidy to the Council.

In addition, steps are being taken to recover these overpayments, however projections of amounts being recouped are not updated until there is evidence to support actual cash being received. There is evidence that this cash is now being received and an improvement of £(0.050)m is included in the figures above.

- **Other minor variances £0.012m.**

**C-W5 – Precepts, Levies & Subscriptions - £0.048m (adverse), £nil movement**

- **Coroners & Mortuary fees - £0.054m**

The cost of the Coroners service, which is shared between Stockport, Trafford and Tameside Councils, has increased significantly due to the following factors:

- Increasing volume of inquests, resulting in the need for an additional court and hence an increase in associated costs;
- Deprivation of Liberty status (DOLS) is placing a further demand on the number of inquests. All DOLS cases deaths require an inquest;
- Pressures from increasing costs of toxicology and transport;
- Extra demands placed on the service from disclosure of information requests.

The additional costs for Trafford in 2015/16 are £0.091m and have been partly offset by the use of the earmarked reserve of £(0.037)m, which was specifically set up for such an eventuality. Also, the impact of these additional costs in the future has been included in the Medium Term Financial Plan.

- **Other minor variances £(0.006)m.**

#### **C-W6 – Provisions - £(0.447)m (favourable), £nil movement.**

- 2016/17 Budget Consultation – the estimated costs of employing an independent company to oversee the budget consultation process, £0.050m;
- The 2015/16 saving from the Old Car Lease scheme will be overachieved due to employees leaving the scheme earlier than anticipated, £(0.030)m;
- On 30 July 2015 The Executive Member for Communities and Partnerships approved that a Community Interest Company (CIC) be established to run the leisure services, previously provided by Trafford Community Leisure Trust.

Trafford Leisure CIC took over the running of the leisure facilities on 1<sup>st</sup> October 2015. Two firms of specialists were also employed by the Council to advise on legal and VAT matters during the transition to the CIC. These costs currently totaling £0.020m are included in the outturn figure above.

- The original Council-wide budget for 2015/16 included a one off allowance of £0.700m as a general contingency to cushion against possible slippage in the delivery of the significant savings programme in 2015/16. Of this £0.085m was released to cover budget pressures regarding Market Management, £0.055m for Gorse Hill Studios and £0.073m for Early Help Delivery Model. The unallocated balance of £0.487m was included as a budget saving in the Period 7 report.