

TRAFFORD COUNCIL

Report to: Executive

Date: 10 July 2017

Report for: Discussion

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

Report Title:

Budget Monitoring 2016/17 – Period 12 Outturn (April 2016 to March 2017).

Summary:

The purpose of this report is to inform Members of the 2016/17 draft outturn figures relating to both Revenue and Capital budgets, the level of General and Service Reserves. It also summarises the final unaudited position for Council Tax and Business Rates within the Collection Fund.

Recommendation(s)

It is recommended that:

- a) The pre-audited revenue budget outturn be noted;
- b) the levels of General & Service Reserves and Collection Fund balances and commitments are noted and confirmed;
- c) That the outturn position on the Capital Programme and Prudential Indicators be noted.

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 and Capital expenditure to be contained within available resources in 2016/17.
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
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Other Options

Not Applicable

Consultation

Not Applicable

Reasons for Recommendation

Not Applicable

Finance Officer ClearanceNB.....

Legal Officer ClearanceJLF.....

CORPORATE DIRECTOR'S SIGNATURE:



REVENUE BUDGET

Budget Monitoring - Financial Results

1. Based on the pre-audit outturn for the year, the Council will underspend its Service Expenditure budgets by £4.32m, (2.9%) for 2016/17, which is a favourable movement of £1.95m since last period (paragraph 5).
2. The overall variance includes a net underspend on the Directorate budgets of £603k, (0.5%), and a net underspend on Council-wide budgets of £3.72m, (17.7%).
3. There continues to be a negative pressure on the overall funding position caused by a significant level of new business rate appeals. This had led to a shortfall of £4.30m in funding income due to the need to increase the appeals provision during the year. The savings on Service expenditure and income budgets will offset this reduction of funding from business rates leaving a small net underspend of £21k to transfer to the budget support reserve.

Service Expenditure Summary Position

4. The pre-audited revenue outturn position shows an underspend figure of £4.32m. This compares to an adjusted period 10 underspend of £2.37m (i.e. £141k underspend plus £2.23m previously set aside to support the shortfall in business rates). This underspend will be transferred to an earmarked reserve to support the reduced level of funding from business rates.
5. The favourable movement of £1.95m is made up of a number of movements since period 10 and is explained below, with more detail given in Table 2:
 - reduced overall expenditure in adult social care of £920k;
 - reduction in projected overspend in children's services £286k;
 - increased savings in EGEI and T&R of £59k and £360k respectively
 - additional council-wide budget savings of £323k

Funding Summary Position

6. There has been a further reduction in overall funding to support the budget mainly attributed to an increase in the level and cost of business rate appeals. This one-off shortfall, which has been caused by the need to increase the appeals provision, is £4.30m (an increase of £2.07m since period 10) and will require resources to be set aside as detailed below:-
 - an amount of £2.23m has previously been identified from the MAG earmarked reserve of £1.41m and savings in the council-wide budget of £821k, both previously reported to the Executive and agreed; and
 - the balance of £2.07m will be met from additional savings in service budgets and are included in this report. This will leave a small balance of £21k to be transferred to the budget support reserve.
7. Detailed below in Table 1 is a summary breakdown of the service and funding variances against budget, with Table 2 providing an explanation of the variances:

Table 1: Budget Monitoring results by Service	2016/17 Budget (£000's)	Un-audited Outturn (£000's)	Variance (£000's)	Percentage
Children's Services	29,742	31,501	1,759	5.9%
Adult Services (Inc. Public Health)	47,191	46,787	(404)	(0.9)%
Economic Growth, Environment & Infrastructure	31,941	31,526	(415)	(1.3)%
Transformation & Resources	16,842	15,299	(1,543)	(9.2)%
Total Directorate Budgets	125,716	125,113	(603)	(0.5)%
Council-wide budgets	20,981	17,265	(3,716)	(17.7)%
Net Service Expenditure variance	146,697	142,378	(4,319)	(2.9)%
Funding				
Revenue Support Grant	(22,989)	(22,989)	-	-
Business Rates (see para. 20)	(38,311)	(34,013)	4,298	11.2%
Council Tax (see para. 17)	(83,247)	(83,247)	-	-
Reserves	(1,850)	(1,850)	-	-
Collection Fund surplus	(300)	(300)	-	-
Funding variance	(146,697)	(142,399)	4,298	2.9%
Net Revenue Outturn variance	0	(21)	(21)	(0.0)%
Dedicated Schools Grant	119,410	119,495	85	0.1%
Public Health	13,334	13,329	(5)	(0.0)%

8. The main variances contributing to the underspend of £4.32m are highlighted below:

Table 2: Main variances	Outturn Variance (£000's)	Explanation/Risks
Children's Services	1,759	<p>The main reasons for the adverse variance have been reported in previous monitors and mainly include pressure on the placements budget for children in care with 384 children currently in care, a reduction of 3 since the last monitoring report but an overall increase of 53 since March 2016.</p> <p>The overall variance shows a favourable movement from that previously reported of £286k explained by:</p> <ul style="list-style-type: none"> • A reduction in spend on children in social care of £94k mainly as a result of commissioning practices, leading to a reduced unit cost; • A reduced number of children with additional needs in respite and a reduction in the anticipated cost of direct payments - £60k;

		<ul style="list-style-type: none"> • An underspend in the Early Help Hub of £59k mainly due to an overachievement of income; • Minor variances across the service totalling a favourable movement of £73k.
Adult Services / Public Health	(404)	<p>The overall variance shows a favourable movement from that previously reported of £920k. This is mainly in relation to the adult client budget of £734k explained by:-</p> <ul style="list-style-type: none"> • Determination by the Secretary of State on two Ordinary Residence cases, whereby the individual's ordinary residence is in another area and not Trafford. Therefore costs incurred by Trafford will be charged to the Authority in which they are deemed to be Ordinarily Resident - £333k; • Increased clawback of monies in relation to direct payments that have been made but the money has not been spent - £228k; • Income from Personal Health Budgets - £92k; • Reduction in the requirements of the transition budget for 2016/17 -£75k; • Other minor adverse variances £6k. <p>Other areas that have seen a movement are;</p> <ul style="list-style-type: none"> • Further staffing savings across the service on vacancies - £77k; • Reduction in public health spend due to less activity than anticipated e.g. health checks - £47k; • Minor variances across the service totalling a favourable movement of £62k.
Economic Growth, Environment & Infrastructure	(415)	<p>The underspend has increased by £59k since the last report and relates to:</p> <ul style="list-style-type: none"> • Additional income - £168k. This includes £96k from backdated property rents and £57k improvement in building control income; • Increase in running costs - £76k, which includes £66k relating to the final GM Waste Disposal levy; • Minor reduction in the staff cost underspend - £33k. <p>Other items to note which are included in the overall underspend are:</p> <ul style="list-style-type: none"> • income of £273k was received from Oakfield Road car park remaining open until the substantive start of the Altair development in June 2017 (demolition started February 2017); • part year energy cost savings from the LED street lighting programme were included in the budget of

		£410k, and these have been exceeded by £70k. The total full year saving once the roll out is complete is £1.150m.
Transformation & Resources	(1,543)	<p>The underspend has increased by £360k since the last report due to:</p> <ul style="list-style-type: none"> On-going staff vacancies - £43k. Overall there is a £913k underspend on staffing after taking account of agency costs. This equates to 4.6% of the total staffing budget and is lower than the levels experienced in 2015/16, which were in excess of 6%, and reflects the ongoing efforts to fill outstanding vacant posts; Further reduction in running costs - £254k. Running costs are £332k underspent and the increase from the last report includes reduced contract spending in ICT (£89k) and Exchequer Services (£75k), commitments in training budgets crossing into the next financial year (£68k), management of maintenance spending in Bereavement Services (£38k) and other minor adverse variances £16k; Further increase in income - £63k. Income is £334k above budget overall and the movement since the last report is due to one-off income from proceeds of crime (Revenues and Benefits) received before the financial year-end.
Council-wide budgets	(3,716)	<p>The major reasons for the year end underspend position are as previously reported:</p> <ul style="list-style-type: none"> increased level of shareholder income received from Manchester Airport during the year; a significant recovery of housing and council tax benefit overpayments; the release of contingency budgets due to the majority of the savings programme being achieved. <p>The variance since the period 10 report of £323k includes:-</p> <ul style="list-style-type: none"> Treasury Management savings in external interest costs and higher than anticipated income caused by higher cash volumes; final release of contingency budgets.
Dedicated Schools Grant	85	<p>Overspend has reduced by £198k since the last report as a result of cost control measures within the High Needs Block. The level of DSG reserve is now projected to be £702k at year end.</p>

Progress against Locality Plan

9. A key element of the Health and Social Care devolution agenda is the submission of a Locality Plan setting out the Council and CCG vision for the greatest and fastest possible improvement in the health and wellbeing of our residents by 2020. This improvement will be achieved by supporting people to be more in control of their lives by having a health and social care system that is geared towards wellbeing and the prevention of ill health; access to health services at home and in the community; and social care that works with health and voluntary services to support people to look after themselves and each other
10. Financial performance against the locality plan is highlighted below in Table 3.

Table 3: Locality Plan Update	2016/17 Budget (£000's)	Outturn (£000's)	Variance (£000's)	Percentage
Public Health	13,334	13,329	(5)	(0.04)%
Adult Social Care	52,874	52,475	(399)	(0.75)%
Children and Families	29,911	31,670	1,759	5.88%
Total	96,119	97,474	1,355	1.41%

MTFP Savings and increased income

11. The 2016/17 budget was based on the achievement of permanent base budget savings and increased income of £16.38m. At Executive in March 2016 there was a decision to amend the policy on social care transport impacting on the overall savings programme. The savings target was subsequently reduced to £16.10m, with the adverse impact of this change being included in the overall CFW monitoring position. Full details are included in the May 2017 Transformation Programme Board Report.
12. The outturn position indicates that total savings of £15.50m have been achieved in the year. This represents a slight deterioration with an overall under achievement against target of £596k. This is represented by delays in the Continuing Health Care (CHC) project into 2017/18, £403k and a reduction in the actual level of council-wide savings achieved of £193k.

RESERVES

13. The General Reserve balance brought forward is £7.89m, against which there are planned commitments up to the end of 2016/17 of £1.89m leaving the balance at £6m which is the approved minimum level.

Table 4 : General Reserve Movements	(£000's)
Balance 31 March 2016	(7,894)
Commitments in 2016/17:	
- Planned use for 2016/17 Budget	1,850
- Planned use for one-off projects 2016/17 no longer required and moved to Budget Support Reserve	44
Balance 31 March 2017	(6,000)

14. Service balances brought forward from 2015/16 were a net £5.95m and were largely allocated to support transformation projects in 2016/17 and later years.

Table 5: Service balances	b/f April 2016 (£000's)	Net Use in Year (£000's)	c/f to 2017/18 (£000's)
Children, Families & Wellbeing	(1,837)	1,044	(793)
Economic Growth, Environment & Infrastructure	(1,740)	535	(1,205)
Transformation & Resources	(2,372)	259	(2,113)
Total (Surplus)/Deficit	(5,949)	1,838	(4,111)

COLLECTION FUND

Council Tax

15. The 2016/17 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%).
16. As at 31 March 2017 the end of year surplus balance is £2.54m. The Council's share of this is £2.13m, and is planned to support future budgets in the MTFP. This is a favourable movement of £0.4m on that previously reported and is mainly as a result of improved collection of historic debt identified during year end closedown.
17. Council Tax collection rate as at 31 March 2017 was 98.2%, which is above the targeted collection rate of 98.1%.

Business Rates

18. The 2016/17 budget included anticipated growth in retained business rates and related S31 grants of £4.51m. Latest forecasts of business rate income indicate a potential one-off shortfall on this amount of £4.30m due largely to a continued increase in the level and cost of appeals. This is an increase from previous monitoring reports and will be financed in full from:
- £1.41m from the MAG earmarked reserve and a contribution to reserves from the Council-wide budget of £821k (both previously planned and reported);
 - the balance of £2.07m will be met from additional savings in service budgets included in this report. This will leave a small balance of £21k to be transferred to the budget support reserve.
19. Business Rates collection rate as at 31 March 2017 was 97.79% compared to a targeted collection rate of 97.5%.

CAPITAL PROGRAMME 2016/17

20. Capital investment expenditure for 2016/17 amounted to £28.21m, equivalent to 66% of revised budget of £42.44m with some of the main highlights being:

School Improvements - £6.48m:-

- Expansion & Basic Need Works - £3.38m
- Capital Maintenance & Access works - £2.53m
- Improvements via Devolved Formula Capital - £0.57m

Adult Social Services - £2.80m:-

- Disabled Facilities Grants - £1.99m
- Assistive Technology / Aids & adaptations - £0.58m
- Liquid Logic – ICT Social Care System - £0.23m

Major works on Public & Operational Buildings - £1.32m

- Public Building Repairs & DDA Improvements - £1.05
- ICT systems - £0.27m

Regeneration Projects - £3.80m

- Lancashire CCC - New hotel development - £2.48m
- Altrincham Town Centre - £0.86m
- Stretford Town Centre Public Realm Works - £0.41m
- Town centres business grants - £0.05m

Highway Related Improvements - £12.10m

- Integrated Transport Improvements - £0.78m
- Highway Structural Maintenance (inc. Bridges) - £3.39m
- LED Replacement Programme - £7.83m
- Car Parking Improvements - £0.10m

Sport, Recreation & Culture - £0.45m

- Improvements to parks and open spaces across the borough - £0.18m
- Play Area Refurbishments - £0.27m

ICT Investment £ 1.26m

- New Human Resources Shared Services system - £0.85m
- Libraries – Self Serve kiosks programme - £0.18m
- ICT and other projects, minor variances - £0.23m

Financing of Capital Investment Expenditure

21. The expenditure was financed predominantly from grants and external contributions, supplemented by receipts derived from the sale of surplus assets and a small level of specific reserves and borrowing. The actual levels applied are shown below:

Table 6: Financing of Capital Investment Expenditure 2016/17	Budget £m	Actual £m
Internal Resources		
Capital Receipts	6.16	2.54
LSVT VAT Receipts	1.46	1.29
Specific Reserves & Revenue	0.48	0.15
Borrowing	11.01	10.32
Sub-Total	19.11	14.30
External Resources		
Grants & Contributions	23.33	13.91
Total	42.44	28.21

22. Sufficient capital resources will be available to cover all the expenditure re-profiled from 2016/17 to future years. No grants and contributions are at risk of clawback and will therefore be available in later years.

Performance against budget and explanation of major variances

23. The original budget for 2016/17 was approved at £43.7m in February 2016 but this has subsequently been revised during the year for new grant approvals and other changes approved by the Executive and the expected budget for 2016/17 was £42.44m as at Period 10.
24. Final expenditure of £28.21m represents an overall variance of £14.23m. Capital expenditure by its nature can be “lumpy” and difficult to project and in a good number of situations the Council does not have total control on when the expenditure will be incurred. A explanation of the variations by service area are shown in the following table:

Table 7: Actual Capital Investment Expenditure compared to Revised Budget 2016/17					
Service Area	Budget	Actual	Variance	Actual	Note
	£m	£m	£m	%	
Children Families & Wellbeing					
Schools	9.87	6.48	(3.39)	66%	1
Children's Services	0.05	0.00	(0.05)		
Services for Adults	2.92	2.80	(0.12)	96%	2
Total	12.84	9.28	(3.56)	72%	
Economic Growth, Environment & Infrastructure					
Corporate Landlord	5.93	1.29	(4.64)	22%	3
Town Centre Regeneration & Strategic Planning	4.05	3.80	(0.25)	94%	4
Highways	15.17	12.00	(3.17)	79%	5
Bereavement Services	0.09	0.03	(0.06)	33%	
Sustainability & Greenspace	0.93	0.45	(0.48)	48%	6
Public Protection	0.25	0.10	(0.15)	40%	
Total	26.42	17.67	(8.75)	67%	
Transformation & Resources					
Performance & Improvement	1.55	1.12	(0.43)	72%	
Information Technology	1.63	0.14	(1.49)	9%	7
Total	3.18	1.26	(1.92)	40%	
Capital Programme Total	42.44	28.21	(14.23)	66%	

➤ **Note 1 - Schools**

The majority of the larger projects were successfully completed in year with the variance primarily relating to planned rephasing on a number of projects scheduled for 2017/18 and savings on completed schemes to be re-phased to support the new 2017/18 programme of works.

➤ **Note 2 – Services for Adults**

Whilst there has been some rephasing required to 2017/18 on the Social Care and Agile Working ICT projects expenditure on Disabled Facilities Grants has been higher than expected and budget phased to 2017/18 has been accelerated accordingly.

➤ **Note 3 – Corporate Landlord**

Following a review of Leisure Strategy assets a number of the proposed schemes were placed on hold and the delay in the purchase of the depot facilities has resulted in delivery being later than expected. The new depot facility has subsequently been purchased early in 2017/18.

➤ **Note 4 – Town Centre Regeneration & Strategic Planning**

The drawdown of the loan advance in respect of Lancashire County Cricket Club has been quicker than anticipated, resulting in acceleration of the agreed level of advance. Whilst the major public realm works in Altrincham and Stretford town centres are slightly behind the 2016/17

budgets, work is now progressing and are expected to complete as originally programmed in 2017/18 and budget re-phased accordingly.

➤ **Note 5 – Highways**

The majority of the highway maintenance programme was delivered as planned during 2016/17, particularly the LED replacement programme for which delivery is ahead of original plans. This is offset by the rephasing to 2017/18 of £5.00m of the contribution to the metrolink extension into Trafford Park. This sum has subsequently been paid in 2017/18.

➤ **Note 6 – Sustainability & Greenspace**

Rephasing of £0.48m was required on a number of schemes where consultation with stakeholders and Friends of Groups was undertaken. Delivery of the play area refurbishment programme has progressed well.

➤ **Note 7 – Information Technology**

The introduction of the new Greater Manchester Shared Service was completed, whilst rephasing of £1.49m was required on a number of other schemes including £1.10m for the Customer Relationship Management (CRM) Upgrade Programme, which will now be completed during 2017/18.

25. The level of capital investment expenditure equates to 66% of the revised budget and a summary of the major variances is shown below. Appendix A provides an analysis of the variance at a service level.

Table 8: Actual Capital Expenditure compared to Expected Outturn 2016/17	£m
Outturn 2016/17 Budget	42.44
Actual	28.21
Variance	14.23
Explained By:-	
Re-profiling to future years	21.04
Acceleration	(6.44)
Additional Expenditure (see Appendix A)	(0.66)
Savings (see Appendix A)	0.29
Total	14.23

26. During 2016/17 additional expenditure of £661k has been incurred on a number of projects of which £596k was financed from specific resources. This includes £203k of highway works done under S278 of the Highways Act and £150k of works at Hale Barns shopping centre funded by the developer.
27. Appendix B provides details of the overspends and savings shown above. As can be seen the total value of savings identified funded from internal resources exceeds additional cost requirements by £226k. These can be carried forward to 2017/18 and earmarked to support additional expenditure on highways related projects including specific bridge works on the Altair site in Altrincham.

Prudential Indicators

28. The Council is required to maintain these indicators which are designed to show that its capital expenditure plans are prudent, affordable and sustainable. Detailed in Appendix C are the actual capital programme related indicators agreed in February 2016, and updated in February 2017. No indicators were breached in 2016/17.

Conclusions & Recommendation

29. That the outturn position on the Capital Programme and Prudential Indicators be noted.

APPENDIX A

CAPITAL OUTTURN 2016/17

The Council spent £28.21m on capital schemes last year. A summary analysis of this by service area is shown below, together with further detail on re-profiling, acceleration, overspending and savings.

				← Variance Explained By →			
	Budget 2016/17	Outturn 2016/17	Variance	Re- Profiling	Acceleration	Add'n Expend	Saving
Service Area	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Children, Families & Wellbeing	12,835	9,282	(3,553)	4,410	(767)	(111)	21
Economic Growth, Environment & Infrastructure	26,421	17,671	(8,750)	14,565	(5,517)	(545)	247
Transformation and Resources	3,184	1,261	(1,923)	2,063	(158)	(5)	23
Total	42,440	28,214	(14,226)	21,038	(6,442)	(661)	291

APPENDIX B

CAPITAL PROGRAMME 2016/17- Overspends and savings

The total value of savings identified funded from internal resources exceeds additional cost requirements by £226k.

Scheme	Overspend	Funded	Balance to be funded	Notes
	£000's	£000's	£000's	
Liquid Logic Programme Support	46	46		External contribution
Aids & Adaptations	58	58		External contribution
Adult Social Care	8		8	
Hale Barns Shopping Centre - CPO	150	150		Developer contribution
Sale Waterside - Lifecycle costs	126	126		Developer contribution
Cornbrook - CPO	12		12	
Partington District Centre	7		7	
Briarfield Road, Timperley - Layby	33		33	
Highways - S278 works	203	203		S278 contributions
Longford Park, Stretford - Disc Golf Course	13	13		S106 contributions
ICT Projects	5		5	
Total	661	596	65	
Identified savings on internally funded schemes			291	
Balance available			226	

APPENDIX C

Prudential Indicators – Actual 2016/17

The figures below show the Council's actual prudential indicators for 2016/17 compared to estimate.

Indicator 1: CAPITAL EXPENDITURE	2016/17 Original Estimate £000's	2016/17 Revised Estimate £000's	2016/17 Actual £000's
Total Expenditure	43,703	42,440	28,214

Explanation of variances are given in the Appendices A & B

Indicator 2: CAPITAL FINANCING REQUIREMENT	31/3/17 Original Estimate £000's	31/3/17 Revised Estimate £000's	31/3/17 Actual £000's
General Fund	144,007	144,664	143,977

This is the Council's underlying need to borrow for a capital purpose. The table above reflects the estimated need to borrow for capital investment i.e. the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts.

Indicator 3: FINANCING COSTS TO NET REVENUE STREAM	2016/17 Original Estimate %	2016/17 Revised Estimate %	2016/17 Actual %
General Fund	6.2	4.5	4.5

This indicator shows the net borrowing costs and minimum revenue provision as a percentage of the Council's net revenue budget.

Indicator 4: Incremental impact on Band D council tax and housing rents	2016/17 Original Estimate £	2016/17 Revised Estimate £	2016/17 Actual £
Council Tax – Band D	0.00	0.00	0.00

The in-year borrowing requirement was less than the amount set aside to repay debt therefore there is no change to this indicator in year.