

## TRAFFORD COUNCIL

**Report to: Executive**

**Date: 27 November 2017**

**Report for: Discussion**

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

**Report Title:**

Budget Monitoring 2017/18 – Period 6 (April to September 2017).

**Summary:**

The purpose of this report is to inform Members of the current 2017/18 forecast outturn figures relating to both Revenue and Capital budgets. It also summarises the latest forecast position for Council Tax and Business Rates within the Collection Fund.

**Recommendation(s)**

**It is recommended that the Executive:**

- a) note the forecast revenue budget underspend of £941k;
- b) note the one-off receipt relating to the 2016/17 Business Rate Growth Pilot of £1.3m, which will be transferred to a new earmarked reserve to mitigate future business rates related risks;
- c) note the changes to the Capital Programme as detailed in paragraph 17.

**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 2017/18.
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 Clearance**      **NB**.....

**Legal Officer Clearance**      **JK**.....

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

## REVENUE BUDGET

### Budget Monitoring - Financial Results

1. The approved budget agreed at the 22 February 2017 Council meeting is £160.83m. In determining the budget an overall gap of £25.37m was addressed by a combination of additional resources of £9.80m, including projected growth in business rates, council tax and use of general reserve and £15.57m of service savings and additional income.
2. Based on the budget monitoring for the first 6 months the year end forecast outturn is an underspend of £941k, a favourable movement of £615k since Period 4. This position takes into account planned additional investment in the Council's highways of £600k due to the positive position of the EGEI budget (See Table 2). At this stage caution should be exercised as the projections continue to be based on a number of assumptions including delivery of the significant savings programme in year (see para. 8), the on-going risk to business rate income (see para. 14) and the stability of demographic pressures in social care.
3. 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:

<b>Table 1: Budget Monitoring results by Service</b>	<b>2017/18 Revised * Budget (£000's)</b>	<b>Forecast Outturn (£000's)</b>	<b>Forecast Variance (£000's)</b>	<b>Percentage</b>
Children's Services	32,499	32,499	0	0.0%
Adult Services (Inc. Public Health)	57,815	58,712	897	1.6%
Economic Growth, Environment & Infrastructure	38,418	37,833	(585)	(1.5)%
Transformation & Resources	16,966	16,324	(642)	(3.8)%
<b>Total Directorate Budgets</b>	<b>145,698</b>	<b>145,368</b>	<b>(330)</b>	<b>(0.2)%</b>
Council-wide budgets	15,127	14,516	(611)	(4.0)%
<b>Net Service Expenditure variance</b>	<b>160,825</b>	<b>159,884</b>	<b>(941)</b>	<b>(0.6)%</b>
<b>Funding</b>				
Business Rates (see para. 14) **	(67,462)	(67,462)	-	
Council Tax (see para. 12)	(88,630)	(88,630)	-	
Reserves	(3,058)	(3,058)	-	
Collection Fund surplus	(1,675)	(1,675)	-	
<b>Funding variance</b>	<b>(160,825)</b>	<b>(160,825)</b>	<b>0</b>	<b>0.0%</b>
<b>Net Revenue Outturn variance</b>	<b>0</b>	<b>(941)</b>	<b>(941)</b>	<b>(0.6)%</b>
<b>Dedicated Schools Grant</b>	<b>124,807</b>	<b>125,041</b>	<b>234</b>	<b>0.2%</b>
<b>Public Health</b>	<b>12,178</b>	<b>12,178</b>	<b>0</b>	<b>0.0%</b>

\* A number of budget virements have been made, under delegated powers, since the Period 4 Budget Monitoring Report and are detailed in Annex 1.

\*\* One-off income relating to the 2016/17 Business Rate Growth Pilot of £1.3m will be transferred to a new earmarked reserve to mitigate future business rates funding risks (see para. 15).

### Main variances, changes to budget assumptions and key risks

4. The main variances contributing to the projected underspend of £941k, the favourable movement of £615k since Period 4, any changes to budget assumptions and associated key risks are highlighted below:

Table 2: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	Nil	<p>The overall forecast position is for a £nil variance, a favourable movement of £228k since Period 4.</p> <p>Within the service there remains a number of pressures.</p> <p>Children's placements:-</p> <ul style="list-style-type: none"> <li>• there is an estimated overspend of £214k, and an underachievement of £502k on the service's overall savings target (£2.5m). This gives an overall variance of £716k an increase of £316k from that reported previously. The variance is as a result of delays in the implementation of some savings schemes and increased numbers and costs within the aftercare service.</li> <li>• Within this projection a contingency of £500k remains in the event of additional placements over the next 6 months or further underachievement of savings as £314k of savings above are still to be realised.</li> <li>• The above variance has been offset by underspends and additional income within the overall service. These include vacancies of £123k, additional grant/income £300k, savings from restructures £166k, and general underspends across the service of £151k.</li> </ul> <p>The number of children in care as at the end of September is 381, an increase of 3 from that last reported.</p>

<p>Adult Services / Public Health</p>	<p>897</p>	<p>The overall position is a forecast overspend of £897k, an adverse movement of £38k since Period 4.</p> <p>The main budget pressure is in the adult client budget in which there is an estimated overspend of £775k and an underachievement of £647k on the service's savings target (£6.2m). This gives an overall variance of £1.4m, an increase of £700k from that reported previously.</p> <p>This overall position reflects an increase in the cost per person of care due to increased complexity of cases, as well as a growing absence of Council rate homecare and bed based provision in the borough which has also impacted on the savings programme.</p> <p>The lack of affordable nursing care beds in the borough is increasing the number of top-up fees payable by the Council as is the higher rate of home care packages. The accelerated work on delayed transfers of care is also increasing the financial pressure in this area.</p> <p>Within this forecast £805k remains within a contingency budget to help to offset these potential pressures for the remaining 6 months.</p> <p>This overspend is partly mitigated by vacancies of £276k, a one-off VAT refund, £235k and general underspends across the service of £14k..</p> <p>Within this forecast the service is still to realise £1.7m of savings.</p>
<p>Economic Growth, Environment &amp; Infrastructure</p>	<p>(585)</p>	<p>The overall underspend of £585k includes staff cost savings of £217k and net income savings from property rents, planning, car park and other fees of £562k. These savings are partly offset by a net overspend in running costs of £194k, which includes the increase in Waste Disposal Levy of £188k.</p> <p>This is a favourable movement of £18k since Period 4 and includes additional income of £13k relating to Oakfield Road and £23k Regent Road car parks remaining open. Planning income has increased by £72k and is partially offset by increased staffing and running costs £51k. Outdoor media income is £50k less than predicted due to economic conditions affecting this sector.</p> <p>The above figures exclude the new income from the garden waste collection service which has exceeded budgeted levels by £600k. This will now be used to support additional investment in the Council's highways, as highlighted in the previous report.</p>

Transformation & Resources	(642)	<p>The overall underspend of £642k includes staff cost savings of £679k and additional income and reduced running costs, saving £233k. These are partly offset by a shortfall in the savings associated with School crossing patrols of £270k, albeit other funding sources will be pursued where available.</p> <p>This is a favourable movement of £175k since Period 4.</p> <p>Forecast staff costs are £679k less than budget across the Directorate based on actual and projected vacancies, which is 3.5% of the total staffing budget. This is a favourable movement since Period 4 of £85k. However, this is lower than the average level experienced in 2016/17 of 4.6%, and reflects the ongoing efforts to fill outstanding vacant posts.</p> <p>Projected income levels have increased by a net £38k to £112k since Period 4 across a number of areas, particularly within Finance Services.</p> <p>Running costs are currently projected to be £121k below budget, a favourable movement of £52k.</p>
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Council-wide budgets	(611)	<p>The overall underspend of £611k includes:</p> <ul style="list-style-type: none"> <li>• Treasury Management savings (mainly airport dividend), £464k;</li> <li>• part release of Contingency budgets of £225k;</li> <li>• Overpayment recovery of previous years' Council Tax Benefit, £36k;</li> <li>• Members allowances and running cost savings, £20k and Apprenticeship Levy saving against budget of £31k.</li> <li>• Which is partially offset by a projected shortfall in the savings associated with the 'Advance contributions to GM Pension Fund' project of £165k;</li> </ul> <p>This is a favourable movement of £232k since Period 4.</p> <p>A number of Council-wide contingencies and provisions relating to service savings not being achieved and doubtful debts have been reviewed and it is considered appropriate at this stage of the year to release 25% of these totaling £225k.</p> <p>The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above budget by £566k, largely as a result of the successful collection of prior years' housing benefit overpayments. This is a small favourable movement of £12k since Period 4.</p> <p>As reported previously, any overachievement on this budget will be transferred into a Housing Benefit Overpayments earmarked reserve which will be used to smooth the budget reductions required in the 2018/19 budget. The estimated over recovery of £566k is therefore not included in the Council Wide outturn figure.</p>
Dedicated Schools Grant	234	<p>The increase in the projected overspend of £112k relates mainly to an increase in SEN delegation costs, due to increased need and demand of children with Special Educational Needs.</p> <p>This overspend will be financed from the DSG reserve.</p>

## Progress against Locality Plan

5. 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.
6. Work is ongoing on the locality plan and it is anticipated that further work will be required in the coming months to understand how any budget gaps will be addressed. Financial performance against the locality plan is highlighted below in Table 3.

<b>Table 3: Locality Plan Update</b>	<b>2017/18 Budget (£000's)</b>	<b>Outturn (£000's)</b>	<b>Variance (£000's)</b>	<b>Percentage</b>
Public Health	12,178	12,178	0	0.0%
Adult Social Care	57,180	58,077	897	1.6%
Children and Families	31,960	31,960	0	0.0%
<b>Total</b>	<b>101,318</b>	<b>102,215</b>	<b>897</b>	<b>0.9%</b>

## MTFP Savings and increased income (Vision 2031 Portfolio)

7. The 2017/18 budget is based on the achievement of permanent base budget savings and increased income of £15.57m (see para. 1 above). In addition a number of savings initiatives which underachieved in 2016/17 have been rolled over to the 2017/18 programme totalling £1.36m, giving a total savings target of £16.93m.
8. The latest forecast indicates that total savings of £16m have been or are projected to be delivered by 31 March 2018. This represents an underachievement against target of £0.93m and includes £12.96m already achieved (81.0%) and £3.04m (19.0%) still to be achieved. At this stage the current reported monitored position assumes that these forecast savings will be delivered in full, albeit this represents a risk to the overall monitoring position until all management actions to deliver the savings are complete.



## RESERVES

9. The audited General Reserve balance brought forward is £6.00m, the approved minimum level agreed by Council in February 2017.
10. Service balances brought forward from 2016/17 were a net £4.11m and are largely allocated to support Vision 2031 Portfolio projects in 2017/18 and later years, however before making firm commitments to utilise these resources consideration will be given to the overall projected outturn position in each directorate.

	<b>b/f April 2017 (£000's)</b>
<b>Table 4: Service balances</b>	
Communities, Families & Wellbeing	(793)
Economic Growth, Environment & Infrastructure	(1,205)
Transformation & Resources	(2,113)
<b>Total (Surplus)/Deficit</b>	<b>(4,111)</b>

## COLLECTION FUND

### Council Tax

11. The 2017/18 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 total surplus brought forward as at 1 April 2017 was £2.54m.
12. As at September 2017 the end of year surplus balance is forecasted to be £1.41m, after the application of £1.55m of brought forward surplus and addition of an in-year surplus of £420k. The Council's share of this is £1.19m, and is planned to support future budgets in the MTFP.
13. Council Tax collection rate as at 30 September 2017 was 58.5% compared to the targeted collection rate of 58.6%.

### Business Rates

14. The 2017/18 budget included anticipated growth in retained business rates and related S31 grants of £5.46m and at this stage it is still anticipated that this will be achieved in year, albeit the risk of appeals still remains a significant concern.
15. In addition agreement has been reached across AGMA on the sharing of benefits from the 2016/17 business rate growth pilot. The benefit Trafford will receive from this is £1.276m in 2017/18. Given the overall risk faced by Trafford, given its large business rates baseline and the proposed resetting of baselines in 2020/21, it is prudent that this amount be transferred to a new earmarked reserve to help mitigate any future business rates related risks.
16. Business Rates collection rate as at 30 September 2017 was 56.24% compared to a targeted collection rate of 56.62%.

## CAPITAL PROGRAMME

17. The value of the indicative 2017/18 Capital Programme set in February 2017 was £65.74m which was updated as a result of 2016/17 outturn and reported in the P4 monitor at £72.34m. Taking into account the increase to the Capital Investment Fund and additional contributions the budget is currently estimated at £353.17m. The changes are summarised as follows with details below:

<b>Table 5 - Capital Investment Programme 2017/18</b>	<b>Approved Programme £m</b>	<b>Changes £m</b>	<b>Current Programme £m</b>
<b>Service Analysis:</b>			
Children, Families & Wellbeing	15.43	-	15.43
Economic Growth, Environment & Infrastructure	35.70	0.83	36.53
Transformation & Resources	6.21	-	6.21
<b>General Programme Total</b>	<b>57.34</b>	<b>0.83</b>	<b>58.17</b>
Capital Investment Fund	15.00	280.00	295.00 *
<b>Total Programme</b>	<b>72.34</b>	<b>280.83</b>	<b>353.17</b>

\* The remaining £5m has been rephased to 2018/19.

### 18. Amendments to Capital Programme

- **Public Realm Works** – Progress on the design and the next phases of the works in Altrincham and Stretford are to start this year and continue into 2018/19. The estimated cost of these phases will be financed from developer contributions, specifically the S106 and S111 agreements in respect of the redevelopment of Barton Square in Trafford Park. The impact of the inclusion of these is an increase of £235k in the 2017/18 budget with the balance spread across 2018/19 and later years.
- **Highways Maintenance Investment** – The addition of £600k for highways capital maintenance improvements was approved in the P4 monitor, to be funded from the overachievement of income on garden waste collection. It is anticipated that further investment will be added to the 2017/18 programme, subject to available resources and future Executive approval.
- **Capital Investment Fund** - At Budget Council on 22<sup>nd</sup> February 2017 an investment fund of £20m was established to support the acquisition of assets that will support local regeneration and/or yield future sustainable revenue streams for the Council and also cover borrowing costs.  
Council on 26<sup>th</sup> July 2017 agreed an Investment Strategy in line with the objectives above and approved an increase to the Capital Investment Fund of £280m from £20m to £300m.

Resourcing of the capital investment programme is made up of both internal and external funding. Details of this are shown in the table below.

<b>Table 6 - Capital Investment Resources 2017/18</b>	<b>Approved Programme £m</b>	<b>Changes £m</b>	<b>Current Programme £m</b>
<b>External:</b>			
Grants	19.84	-	19.84
Contributions	10.04	0.23	10.27
<b>Sub-total</b>	<b>29.88</b>	<b>0.23</b>	<b>30.11</b>
<b>Internal:</b>			
Receipts	16.07	-	16.07
Borrowing	10.50	-	10.50
Reserves & revenue	0.89	0.60	1.49
<b>Sub-total</b>	<b>27.46</b>	<b>0.60</b>	<b>28.06</b>
<b>General Programme Total</b>	<b>57.34</b>	<b>0.83</b>	<b>58.17</b>
Borrowing – Capital Investment Fund	15.00	280.00	295.00
<b>Total Programme</b>	<b>72.34</b>	<b>280.83</b>	<b>353.17</b>

### Status and progress of projects

19. This section aims to give certainty about delivery and the level of outturn performance that can be expected in 2017/18 on the general capital programme.
20. As part of the monitoring process a record of the “milestones” reached by each project is kept to show the progress of the scheme from inclusion in the programme through to completion. The table below shows the value of the programme across the milestone categories.

<b>Table 7 - Status on 2017/18 Projects</b>	<b>Current Budget £m</b>	<b>Percentage of Budget</b>
Already complete	12.42	21%
On site	29.77	51%
Programmed to start later in year	12.19	21%
Not yet programmed	3.79	7%
<b>Total</b>	<b>58.17</b>	<b>100%</b>

21. There are a number of schemes which, whilst they have started or are still due to start in year, are not now expected to complete until 2018/19. As a result the outturn projection is now estimated to be £54.04m in 2017/18. The table below provides a summary with scheme details shown in the following paragraph.

<b>Table 8 – 2017/18 Outturn Projection</b>	<b>£m</b>
<b>Current General Programme</b>	<b>58.17</b>
Actual spend to date	21.99
Expected spend for P7-P12	32.05
<b>Outturn Projection</b>	<b>54.04</b>
<b>Variance to current budget</b>	<b>(4.13)</b>
<b>Major Areas which require re-phasing to 2018/19</b>	
- Schools related projects	0.82
- Public Building Repairs	0.30
- City Cycle Ambition Grant	0.43
- Altrincham – Library / Community Facility	1.74
- Additional Burial Land	0.44
- SAP Development / Replacement	0.40
<b>Total re-phasing requirement</b>	<b>4.13</b>

22. The schemes listed below are those where delivery is not expected to either complete or commence in 2017/18 and budgets will be rephased as part of the budget setting report in February 2018.
- **Barton Clough Primary School - £496k** : Works to the Early Years facility are still to be undertaken. However the ongoing academy negotiations have delayed delivery and therefore works are not expected to start this year;
  - **Schools Capital Maintenance Works - £326k** : Work at two schools, originally planned for this summer recess, were unable to have been completed for the new school year and as a result have been programmed to be undertaken in the summer of 2018;
  - **Public Building Repairs - £300k** : Works at Flixton House were originally planned to be completed this year. However due to listed building issues the work is now not expected to start until February / March 2018 with completion due in 2018/19;
  - **Cycle City Ambition Grant 2 – £432k** : Transport for Greater Manchester have, with agreement from the Department of Transport, agreed that the deadline for using the grant can be extended to September 2018. The opportunity has been taken to ensure that budgets are phased to ensure proper delivery of the proposed projects;
  - **Altrincham – Library / community facility - £1.74m** : The Council has agreed a £2.00m premium for a 125 year lease of the facility, the balance of £1.74m is now to be paid in September 2018.
  - **Additional Burial Land - £436k**: The purchase of the land from National Trust is expected to complete this year, whilst the required infrastructure works, at an estimated cost of £436k, are programmed to start in 2018/19;
  - **SAP Development / Replacement - £400k**: Soft market testing is currently underway looking into options and a business case will be prepared. However it is expected that project delivery will commence in 2018/19.

## **Issues / Risks**

23. The main risk in the area of the capital programme is the timely delivery of the programme and this situation will continue to be closely monitored and any issues will be reported as and when they arise.

## **Recommendations**

24. That the Executive note the report and the changes to the Capital Programme as detailed in paragraph 17.

<b>Virements</b>	<b>Children's (£000's)</b>	<b>Adults (£000's)</b>	<b>EGEI (£000's)</b>	<b>T&amp;R (£000's)</b>	<b>Council- wide (£000's)</b>	<b>Total (£000's)</b>
<b>Period 4 Report</b>	<b>31,947</b>	<b>58,402</b>	<b>38,504</b>	<b>17,057</b>	<b>14,915</b>	<b>160,825</b>
Re-alignment of 0.5% Early Retirement element of the £38m Up Front Pension payment saving of £350k.	(54)	(45)	(22)	(93)	214	0
One Trafford Partnership budget transferred to Children's Services to pay for the insourcing of the Property Capital Development Team.	64		(64)			0
Merging of Children's and Adults Transport budgets.	542	(542)				0
PCI Compliance scanning and encryption budget adjustment.				2	(2)	0
<b>Total virements</b>	<b>552</b>	<b>(587)</b>	<b>(86)</b>	<b>(91)</b>	<b>212</b>	<b>0</b>
<b>Period 6 Report</b>	<b>32,499</b>	<b>57,815</b>	<b>38,418</b>	<b>16,966</b>	<b>15,127</b>	<b>160,825</b>