

TRAFFORD COUNCIL

Report to: Executive

Date: 29 January 2018

Report for: Discussion

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

Report Title:

Budget Monitoring 2017/18 – Period 8 (April to November 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 £216k;
- b) note the estimated benefit of up to £5.1m to be received from the 2017/18 GM 100% Business Rates Retention Pilot, as a result of a new benefit sharing agreement. This will be transferred to a new earmarked reserve to fund the 2018/19 budget;
- c) note the interim dividend received from Manchester Airport investment of £1.784m most of which is being used to fund an extra £1.4m investment in the highways infrastructure in 17/18;
- d) note the changes to the Capital Programme as detailed in paragraph 18, which includes the extra highways investment referred to above.

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 **DA**.....

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 8 months the year-end forecast outturn is an underspend of £216k, an adverse movement of £725k since Period 6. This position takes into account planned additional investment in the Council's highways of £2.0m due to the positive position of the EG&I and C-W budgets (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:

Table 1: Budget Monitoring results by Service	2017/18 Revised * Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	31,289	31,930	641	2.1%
Adult Services (Inc. Public Health)	57,794	59,592	1,798	3.1%
Economic Growth, Environment & Infrastructure	38,318	37,868	(450)	(1.2)%
Transformation & Resources	16,893	16,164	(729)	(4.3)%
Total Directorate Budgets	144,294	145,554	1,260	0.9%
Council-wide budgets	16,531	15,055	(1,476)	(8.9)%
Net Service Expenditure variance	160,825	160,609	(216)	(0.1)%
Funding				
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)	-	
Funding variance	(160,825)	(160,825)	0	0.0%
Net Revenue Outturn variance	0	(216)	(216)	(0.1)%
Dedicated Schools Grant	124,519	125,158	639	0.5%
Public Health	12,178	12,178	0	0.0%

* A number of budget virements have been made, under delegated powers, since the Period 6 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 (as previously reported). In addition, a figure of £5.1m is estimated to be received from the 2017/18 GM Business Rates Retention Pilot, as a result of a proposed new sharing agreement. This will be transferred to a new earmarked reserve to fund the 2018/19 budget (see para. 16).

Main variances, changes to budget assumptions and key risks

4. The main variances contributing to the projected underspend of £216k, the adverse movement of £725k since Period 6, 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	641	<p>The overall forecast position is for a £641k variance, an adverse movement of £641k since Period 6.</p> <p>Within the service there remains a number of pressures.</p> <p>Children's placements:-</p> <ul style="list-style-type: none"> • There is an estimated gross overspend of £726k this is partially offset by a one off underspend of £180k on the Regional Adoption Agency resulting in a net overspend of £546k. There is also a forecast underachievement of £781k on the service's overall savings target (£2.5m). <p>This gives an overall variance of £1.327m an increase of £610k from that reported previously. The variance is as a result of delays in the implementation of some savings schemes. The area of most significant pressures continues to be for placements for children age 14+ who need specialist care. There is an ongoing lack of capacity in placements for young people age 14+ with in-house foster carers and external provision. The recruitment of more in-house carers is in hand but will take time. We are continuing to work with the Family Placement team and with Healthy Young Minds to develop comprehensive training and support interventions to increase our internal provision and capacity.</p> <p>The number of children in care as at the end of November 2017 is 387, an increase of 6 from that last reported.</p> <ul style="list-style-type: none"> • Within this projection a contingency of £372k remains in the event of additional placements over the next four months. • The above variance has been offset by underspends and additional income within the overall service. These include vacancies of £176k, additional grant/income £300k, savings from restructures £182k, and general underspends across the service of £27k.

<p>Adult Services / Public Health</p>	<p>1,798</p>	<p>The overall position is a forecasted overspend of £1.798m, an adverse movement of £901k since Period 6.</p> <p>The main budget pressure is in the adult client budget in which there is an estimated gross overspend of £1.683m which is partially offset by one off underspends on grant funding and Transition budgets totalling £913k producing a net overspend of £770k.</p> <p>In addition there is an underachievement of £1.415m on the service's savings target (£6.2m). This gives an overall variance of £2.185m, an increase of £763k 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, an absence of Council rate homecare and nursing care provision (to the extent required) in the borough which has also impacted on the savings programme. 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 as residents are brought out of hospital quickly to assess their needs in the community.</p> <p>Within this forecast £425k remains within a contingency budget to help to offset potential pressures for the remaining 4 months.</p> <p>Included within the forecast is a £257k overspend on Deprivation of Liberty assessment fees due to activity well in excess of expected levels.</p> <p>The overall position is partly mitigated by vacancies of £332k, a one-off VAT refund, £235k and minor variations across the service of £77k.</p> <p>Within this forecast the service is still to realise £0.609m of savings.</p>
---	--------------	---

Economic Growth, Environment & Infrastructure	(450)	<p>The overall underspend of £450k includes staff cost savings of £219k and net income savings from property rents, planning, car park and other fees of £557k. These savings are partly offset by a net overspend in running costs of £326k, which includes the increase in Waste Disposal Levy of £188k previously reported.</p> <p>This is an adverse movement of £135k since Period 6 and includes a net reduction in the One Trafford Partnership underspend of £145k partly offset by a net reduction in staffing and running costs across all other services of £10k.</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 period 4 report.</p>
Transformation & Resources	(729)	<p>The overall underspend of £729k includes staff cost savings of £784k and additional income and reduced running costs, saving £215k. 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 £87k since Period 6.</p> <p>Forecast staff costs are £784k less than budget across the Directorate based on actual and projected vacancies, which is 3.9% of the total staffing budget. This is a favourable movement since Period 6 of £105k. 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 £41k to £153k since Period 6 across a number of areas, particularly within Finance Services.</p> <p>Running costs are currently projected to be £62k below budget, an adverse movement of £59k.</p>

Council-wide budgets	(1,476)	<p>The overall underspend of £1.476m is a favourable movement of £537k since Period 6 and includes:</p> <ul style="list-style-type: none"> • Treasury Management savings of £848k (mainly airport dividend above budget of £816k, see comment below); • part release of Contingency budgets of £380k; • Overpayment recovery of previous years' Council Tax Benefit, £53k; • Members allowances and running cost savings, £20k and Apprenticeship Levy saving against budget of £31k; • A final one-off rebate from the Public Sector Audit Appointments (PSAA) relating to historic external audit fees, £18k; • Which is partially offset by a projected shortfall in the savings associated with the 'Advance contributions to GM Pension Fund' project of £165k and an expected overspend in Coroners and Mortuary fees of £37k. • In September 2017 the Council approved an Investment Strategy covering the purchase of properties and other investments aimed at generating a net income stream to support the budget. A number of acquisitions have been made in 2017/18 which will yield a part year benefit of £328k with full year impact supporting future years' budgets. <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 a further £155k, in addition to the £225k already released at Period 6. This leaves £378k remaining.</p> <p>The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above budget by £357k, largely as a result of the successful collection of prior years' housing benefit overpayments. This is an adverse movement of £209k since Period 6.</p> <p>However, 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 2018/19. The estimated over recovery of £357k is therefore not included in the Council Wide outturn figure.</p> <p>It should also be noted that a 2017/18 Interim airport dividend has recently been received for £1.784m. This is in addition to the £3.029m already received in July 2017 for the final 2016/17 dividend. The total dividend received in the year is therefore £4.813m and is above budget by £2.216m. It is proposed to use £1.4m of this to support additional investment in the Council's highways, in addition to the £600k already agreed in September 2017 from the garden waste collection service. The remaining £816k is included in the outturn figure above.</p>
----------------------	---------	---

Dedicated Schools Grant	639	The increase in the projected overspend of £405k relates to the funding of additional places at special schools, the additional cost of top-ups and a deduction made by the Education and Skills Funding Agency (ESFA) for High Needs 6th form places which is currently the subject of a dispute. This overspend will be financed from the DSG reserve.
-------------------------	-----	---

Progress against Locality Plan

- 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.
- 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.

Table 3: Locality Plan Update	2017/18 Budget (£000's)	Outturn (£000's)	Variance (£000's)	Percentage
Public Health	12,178	12,178	0	0.0%
Adult Social Care	57,180	58,978	1,798	3.1%
Children and Families	31,960	32,601	641	2.0%
Total	101,318	103,757	2,439	2.4%

*The figures in the above table have been collated using a different rationale incorporating wider budget elements not included in the CFW budget.

MTFP Savings and increased income (Vision 2031 Portfolio)

- 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.
- The latest forecast indicates that total savings of £14.90m have been or are projected to be delivered by 31 March 2018. This represents an underachievement against target of £2.03m and includes £13.70m already achieved (91.9%) and £1.20m (8.1%) still to be achieved. At this stage the projected under-performance on savings can be financed from other savings and

additional income across the rest of the revenue budget in 2017/18. The impact of the shortfall will be taken into consideration when setting the 2018/19 budget.

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

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 November 2017 the end of year surplus balance is forecasted to be £1.48m, after the application of £1.55m of brought forward surplus and addition of an in-year surplus of £485k. The Council's share of this is £1.24m, and is planned to support future budgets in the MTFP.
13. Council Tax collection rate as at 30 November 2017 was 77.16% compared to the targeted collection rate of 77.41%.

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 was reached across AGMA on the sharing of benefits from the 2016/17 business rate growth pilot and as previously reported the benefit Trafford will receive from this at £1.276m has been transferred to a new earmarked reserve to help mitigate any future business rates related risks.

16. From April 2017 the ten Greater Manchester (GM) authorities were able to retain 100% of Business Rates income collected above baselines. Each GM authority calculated their 2017/18 budget for business rates using the historic sharing agreement (49%) with any difference being transferred to the GM Pool via a 'No Detriment' payment. Trafford budgeted for a 'No Detriment' payment of £10.2m. A new sharing agreement has now been reached across AGMA and the benefits accumulated from the 'No Detriment' payments will now be shared 50% to GMCA and 50% to the local authority. The estimated benefit to Trafford in 2017/18 will be £5.1m, however given the overall risk faced by Trafford due to its large business rates baseline and volatility from business rate appeals, it is prudent that this amount be transferred to a new earmarked smoothing reserve used to fund the 2018/19 and future years budgets.
17. Business Rates collection rate as at 30 November 2017 was 73.28% compared to a targeted collection rate of 73.86%.

CAPITAL PROGRAMME

18. 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 P6 monitor at £353.17m. Taking into account the increase to the Highway Maintenance Programme and additional grants and contributions the budget is currently estimated at £355.22m. The changes are summarised as follows with details below:

Table 5 - Capital Investment Programme 2017/18	Period 6 Programme £m	Changes £m	Current Programme £m
Service Analysis:			
Children, Families & Wellbeing	15.43	0.19	15.62
Economic Growth, Environment & Infrastructure *	36.53	1.29	37.82
Transformation & Resources *	6.21	0.57	6.78
General Programme Total	58.17	2.05	60.22
Capital Investment Fund **	295.00	-	295.00
Total Programme	353.17	2.05	355.22

* Adjustment made to service area budgets for Vision 2031 related projects.

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

19. Amendments to Capital Programme

- **Disabled Facilities Grants** – As part of the recent Autumn Budget central government announced additional funding of £42m for Disabled Facilities Grants. We have been notified that this equates to £187k for Trafford and it is expected by DCLG that this will be utilised in 2017/18.

- **Highways Maintenance Investment** – New investment of £0.6m was approved in the P6 monitor. A further investment of an extra £1.4m will now be made in 2017/18 and financed from additional share dividend from the Manchester Airport Group (referred to in the revenue budget monitoring update).
- **Pot Hole Funding** - As part of the recent Autumn Budget central government announced additional funding for pothole repairs of £70m nationally. Based on the allocation of the original 2017/18 distribution this equates to approx. £112k for Trafford. We are waiting on notification from GMCA as to the exact figure we will receive.
- **Land at Sinderland Road, Broadheath** – The purchase and sale of this land from National Trust to a developer has been completed through the council. The original purchase cost of £351k is covered by the final sales receipt received and resulted in the council receiving net income of £392k for its share of the land sold.

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

Table 6 - Capital Investment Resources 2017/18	Period 6 Programme £m	Changes £m	Current Programme £m
External:			
Grants	19.84	0.30	20.14
Contributions	10.27	-	10.27
Sub-total	30.11	0.30	30.41
Internal:			
Receipts	16.07	0.35	16.42
Borrowing	10.50	-	10.50
Reserves & revenue	1.49	1.40	2.89
Sub-total	28.06	1.75	29.81
General Programme Total	58.17	2.05	60.22
Borrowing – Capital Investment Fund	295.00	-	295.00
Total Programme	353.17	2.05	355.22

General Programme - Status and progress of projects

20. 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.
21. 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.

Table 7 - Status on 2017/18 Projects	Current Budget £m	Percentage of Budget
Already complete	22.17	37%
On site	21.77	36%
Programmed to start later in year	13.01	22%
Not yet programmed	3.27	5%
Total	60.22	100%

22. 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 £52.32m (87%) in 2017/18. The table below provides a summary with scheme details shown in the following paragraph.

Table 8 – 2017/18 Outturn Projection	£m
Current General Programme	60.22
Actual spend to date	27.73
Expected spend for P9-P12	24.59
Outturn Projection	52.32
Variance to current budget	(7.90)
Major Areas which require re-phasing to 2018/19	
- Schools related projects	2.27
- Public Building Repairs	0.30
- City Cycle Ambition Grant	0.43
- Cycle Link schemes	0.52
- Altrincham – Library / Community Facility	1.74
- Additional Burial Land	0.44
- Flexible use of Capital Receipts	1.80
- SAP Development / Replacement	0.40
Total re-phasing requirement	7.90

23. Listed below are those schemes 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. Of the £7.90m, £4.13m was explained in the previous monitoring report with the additional £3.77m being:
- **Gorse Hill Primary School (expansion works) - £450k** : Ongoing consultation and design works and the need to start works over the summer holidays mean that works are not expected to start this financial year;
 - **Schools Capital Maintenance Works - £994k**: Work at two schools are being undertaken in conjunction with expansion works and it is expected that all the works will complete for the start of the 2018 academic year. As a result some costs will fall due in 2018/19;

- **Cycle Link Projects – £530k:** Transport for Greater Manchester has, with agreement from the Department of Transport, agreed that the deadline for using the grant can be extended to 2019/20. There are two cycle link projects, Urmston to Ashton-on-Mersey and Altrincham town centre, in the budget and the opportunity has been taken to ensure that budgets are phased in line with the delivery timescales for the proposed projects;
- **Flexible use of capital receipts - £1.80m:** The original plan was to capitalise the costs of the Transformation Team but during the course of the year alternative funding has been identified. Therefore the £1.80m will be available to support new capital investment in later years.

Capital Investment Fund

24. The Council's Investment Strategy was approved by the Executive in September 2017 when approval was given to increase the Capital Investment Fund to £300m, supported by prudential borrowing, to support the approach. To date three acquisitions have been made at a total capital cost of £41.6m with others currently under consideration. This investment will provide a net benefit to support the revenue budget in 2017/18 and later years.

Issues / Risks

25. 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

26. That the Executive note the report and the changes to the Capital Programme as detailed in paragraph 18.

Virements	Children's (£000's)	Adults (£000's)	EGEI (£000's)	T&R (£000's)	Council- wide (£000's)	Total (£000's)
Period 6 Report	32,499	57,815	38,418	16,966	15,127	160,825
Re-align all premature retirement budgets & costs to Council-wide.	(1,231)			(73)	1,304	0
Restructure within Education Services	40	(40)				0
Additional cost of 1.0 FTE Band 5 Student Social worker for 7 months to be funded from within Children's Services budget.	(19)	19				0
Purchase of Tatton House depot, part year interest costs budget transferred to Treasury Management.			(100)		100	0
Total virements	(1,210)	(21)	(100)	(73)	1,404	0
Period 8 Report	31,289	57,794	38,318	16,893	16,531	160,825