

## TRAFFORD COUNCIL

**Report to: Executive**

**Date: 19 March 2018**

**Report for: Information**

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

### **Report Title:**

Budget Monitoring 2017/18 – Period 10 (April 2017 to January 2018).

### **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 notes the report, in particular:**

- a) the forecast revenue budget underspend of £404k;
- b) the changes to the Capital Programme as detailed in paragraph 19.

### **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 10 months the year-end forecast outturn is an underspend of £404k, a favourable movement of £188k since Period 8. This position takes into account planned additional investment in the Council's highways of £2.0m due to the positive position of the EGEI and C-W budgets (See Table 2). At this stage caution should still be exercised as the projections continue to be based on a number of assumptions including delivery of the remaining savings programme in year (see para. 8) 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	31,291	31,647	356	1.1%
Adult Services (Inc. Public Health)	57,792	59,837	2,045	3.5%
Economic Growth, Environment & Infrastructure	38,318	37,921	(397)	(1.0)%
Transformation & Resources	16,893	16,163	(730)	(4.3)%
<b>Total Directorate Budgets</b>	<b>144,294</b>	<b>145,568</b>	<b>1,274</b>	<b>0.9%</b>
Council-wide budgets	16,531	14,853	(1,678)	(10.2)%
<b>Net Service Expenditure variance</b>	<b>160,825</b>	<b>160,421</b>	<b>(404)</b>	<b>(0.3)%</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>(404)</b>	<b>(404)</b>	<b>(0.3)%</b>
<b>Dedicated Schools Grant</b>	<b>124,519</b>	<b>125,075</b>	<b>556</b>	<b>0.4%</b>
<b>Public Health</b>	<b>12,178</b>	<b>12,178</b>	<b>0</b>	<b>0.0%</b>

\* There have been no budget virements since the Period 8 Budget Monitoring Report.

\*\* Additional one-off income relating to the Business Rate retention scheme of £0.413m due to a release of the share of funds retained by GMCA that is no longer required. This will be transferred to a new earmarked reserve to mitigate future business rates funding risks (in addition to the extra one-off income previously reported – see Para 17).

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

4. Corporate Leadership Team are regularly reviewing the situation with regard to vacancies and are engaging a task and finish group to do some detailed work around resourcing and recruitment.
5. The main variances contributing to the projected underspend of £404k, a movement of £188k since Period 8, any changes to budget assumptions and associated key risks are highlighted in the table below.

Table 2: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	356	<p><b>Outturn variance £356k adverse:</b></p> <ul style="list-style-type: none"> <li>➤ £1.267m overspend in Children's placements Budget (Note 1);</li> <li>➤ savings of £911k from vacancies, restructures and additional income (Note 2).</li> </ul> <p><b>Period movement £285k favourable:</b></p> <ul style="list-style-type: none"> <li>➤ additional savings of £226k from vacancies, restructures and additional income;</li> <li>➤ reduction in the overspend on Children's placement costs of £59k.</li> </ul> <p><b>Note 1</b> - An estimated gross overspend of £699k is partly offset by a one-off underspend of £180k on the Regional Adoption Agency resulting in a net overspend of £519k.</p> <p>Despite £1.78m being delivered in savings, £748k will not be delivered in 2017/18.</p> <p>This gives an overall variance of £1.267m, a decrease of £59k from that reported previously. The variance is as a result of delays in the implementation of some savings schemes.</p> <p>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.</p> <p>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 January 2018 is 373, a decrease of 14 from that last reported. Within this projection a contingency of £414k remains in the event of additional placements over the next two months.</p> <p><b>Note 2</b> - The above adverse variance has been offset by underspends and additional income within the overall service. These include vacancies of £334k, additional grant/income £337k, underspend due to restructures £182k, and general underspends across the service of £58k.</p>

<p>Adult Services / Public Health</p>	<p>2,045</p>	<p><b>Outturn variance £2.045m adverse:</b></p> <ul style="list-style-type: none"> <li>➤ £2.254m overspend in Adults Client budget (Note 1);</li> <li>➤ £333k overspend on Deprivation of Liberties (DOLS) (Note 2);</li> <li>➤ partly offset by £542k from vacancies and one-off savings (Note 3).</li> </ul> <p><b>Period movement £247k adverse:</b></p> <ul style="list-style-type: none"> <li>➤ £135k increased projection on Adults Client budget;</li> <li>➤ £76k increase In DOLS projection;</li> <li>➤ £36k minor adverse movements.</li> </ul> <p><b>Note 1</b> - The main budget pressure is in the Adult Client budget in which there is an estimated gross overspend of £1.721m, partly offset by one-off underspends on grant funding and Transition budgets totalling £896k, giving a net overspend of £825k.</p> <p>Estimated savings of £4.754m are forecast to be delivered in year, although this is £1.429m short against target; an increase of £135k 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 residential &amp; nursing care provision (to the extent required) 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 as residents are brought out of hospital quickly to assess their needs in the community.</p> <p>Within this forecast £250k remains within a contingency budget to help to offset potential pressures for the remaining 2 months.</p> <p><b>What is being done to address this?</b></p> <p>The service is actively undertaking a programme of reassessments to ensure that care packages are in line with client needs.</p> <p>Commissioners continue to increase the capacity of Homecare available to the council, and have brought another SAMS provider on board; this will ensure that some clients can increase/retain their independence in their own home therefore reducing demand for residential/nursing placements.</p> <p style="text-align: center;">6</p> <p>The service are exploring alternative contracting arrangements particularly in the form of block contracting in order to achieve value for money and to provide security for both the Council and providers.</p>
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Adult Services / Public Health (cont.)		<p><b>Note 2</b> - Included within the forecast is a £333k overspend on Deprivation of Liberty fees due to activity well in excess of expected levels, an increase of £76k since last period.</p> <p><b>Note 3</b> - The overall position is partly mitigated by vacancies of £337k, a one-off VAT refund of £235k and minor adverse variations across the service of £30k.</p>
Economic Growth, Environment & Infrastructure	(397)	<p><b>Outturn variance £397k favourable:</b></p> <ul style="list-style-type: none"> <li>➤ staff cost savings of £185k;</li> <li>➤ net income savings from property rents, planning, car park and other fees of £615k;</li> <li>➤ partly offset by a net overspend in running costs of £403k across all services, including an increase in the Waste Disposal Levy of £248k and other areas of £155k,</li> </ul> <p><b>Period movement £53k adverse:</b></p> <ul style="list-style-type: none"> <li>➤ additional income £58k (net);</li> <li>➤ increased running costs £77k (including £60k on Waste Disposal Levy);</li> <li>➤ reduced underspend on staff costs £34k.</li> </ul> <p>The above figures exclude the new income from the garden waste collection service which has exceeded budgeted levels by £600k, as previously reported at Period 4. This money will be used to support additional investment in the Council's highways.</p>

Transformation & Resources	(730)	<p><b>Outturn variance £730k favourable:</b></p> <ul style="list-style-type: none"> <li>➤ staff cost savings of £864k (Note 1);</li> <li>➤ additional income and reduced running costs saving a further £136k (Note 2);</li> <li>➤ partly offset by a shortfall in the savings associated with school crossing patrols of £270k, albeit other funding sources will be pursued where available.</li> </ul> <p><b>Note 1</b> - forecast staff costs are £864k less than budget across the Directorate based on actual and projected vacancies, which is 4.3% of the total staffing budget. This is a favourable movement since Period 8 of £80k, mainly within Finance Services. This is marginally lower than the average level experienced in 2016/17 of 4.6%, and reflects the ongoing efforts to fill outstanding vacant posts.</p> <p><b>Note 2</b> - Running costs are now projected to be £36k above budget, an adverse movement of £98k since Period 8 mainly in Bereavement Services and Waterside Arts Centre, but these are more than offset by projected income levels which have increased by a net £19k to £172k.</p>
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Council-wide budgets	(1,678)	<p><b>Outturn variance £1.678m favourable:</b></p> <ul style="list-style-type: none"> <li>➤ Treasury Management savings of £848k (mainly airport dividend above budget of £816k as previously reported);</li> <li>➤ part release of Contingency budgets of £570k;</li> <li>➤ Overpayment recovery of previous years' Council Tax Benefit, £65k;</li> <li>➤ Members allowances and running cost savings, £20k and Apprenticeship Levy saving against budget of £31k;</li> <li>➤ A final one-off rebate from the Public Sector Audit Appointments (PSAA) relating to historic external audit fees, £18k;</li> <li>➤ partly 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;</li> <li>➤ Investment Strategy – new income from commercial properties £328k with full year impact supporting future years' budgets.</li> </ul> <p><b>Period movement £202k favourable:</b></p> <ul style="list-style-type: none"> <li>➤ 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 £190k, in addition to the £380k already released at Period 8. This leaves £188k remaining.</li> <li>➤ Other minor changes of £12k.</li> </ul>
Dedicated Schools Grant	556	<p>The decrease of £83k in the projected overspend from £639k to £556k relates mainly to a reduction in the projected overspend within the High Needs Block due to the recovery of 6<sup>th</sup> form grant funding from Brentwood School.</p> <p>This overspend will be financed from the DSG reserve.</p>

### Progress against Locality Plan

6. 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.

7. 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	59,225	2,045	3.6%
Children and Families	31,960	32,316	356	1.1%
<b>Total</b>	<b>101,318</b>	<b>103,719</b>	<b>2,401</b>	<b>2.4%</b>

\*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)**

8. 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.
9. The latest forecast indicates that total savings of £14.81m have been or are projected to be delivered by 31 March 2018. This represents an underachievement against target of £2.12m and includes £14.01m already achieved (94.6%) and £0.80m (5.4%) 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 has been taken into consideration when setting the 2018/19 budget.

## RESERVES

10. The audited General Reserve balance brought forward is £6.00m, the approved minimum level agreed by Council in February 2017.
11. 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

12. 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.
13. As at January 2018 the end of year surplus balance is forecasted to be £1.54m, after the application of £1.55m of brought forward surplus and addition of an in-year surplus of £549k. The Council's share of this is £1.30m, and is planned to support future budgets in the MTFP.
14. Council Tax collection rate as at 31 January 2018 was 95.48% compared to the targeted collection rate of 95.74%.

### Business Rates

15. 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.
16. During the course of the year a number of additional benefits have already been reported to Executive:-
  - £1.276m being the Council's share from the 2016/17 Growth Pilot
  - £5.1m representing the share of benefits from the first year of the 100% Retention Pilot

17. In addition GMCA has indicated that it will redistribute £4.9m of its share of benefits it had received from previous years pooling arrangements. Trafford's element of the returned income is £413k. 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 the business rate smoothing reserve and used to offset any fluctuation in the significant level of business rate income that will be supporting the budget in 2018/19 and later years. It will also provide a cushion in the event of any changes to business rate baselines when the system is reset in 2020/21.
18. Business Rates collection rate as at 31 January 2018 was 90.02% compared to a targeted collection rate of 90.70%.

## CAPITAL PROGRAMME

19. 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 P8 monitor at £355.22m. Taking into account the increase to the Highway Maintenance Programme and additional grants and contributions the budget is currently estimated at £355.16m. The changes are summarised as follows with details below:

<b>Table 5 - Capital Investment Programme 2017/18</b>	<b>Period 8 Programme £m</b>	<b>Changes £m</b>	<b>Current Programme £m</b>
<b>Service Analysis:</b>			
Children, Families & Wellbeing	15.62		15.62
Economic Growth, Environment & Infrastructure *	37.82	(0.06)	37.76
Transformation & Resources *	6.78		6.78
<b>General Programme Total</b>	<b>60.22</b>	<b>(0.06)</b>	<b>60.16</b>
Capital Investment Fund **	295.00	-	295.00
<b>Total Programme</b>	<b>355.22</b>	<b>(0.06)</b>	<b>355.16</b>

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

## 20. Amendments to Capital Programme

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>Period 8 Programme £m</b>	<b>Changes £m</b>	<b>Current Programme £m</b>
<b>External:</b>			
Grants	20.14	-	20.14
Contributions	10.27	(0.06)	10.21
<b>Sub-total</b>	<b>30.41</b>	<b>(0.06)</b>	<b>30.35</b>
<b>Internal:</b>			
Receipts	16.42	-	16.42
Borrowing	10.50	-	10.50
Reserves & revenue	2.89	-	2.89
<b>Sub-total</b>	<b>29.81</b>	<b>0.00</b>	<b>29.81</b>
<b>General Programme Total</b>	<b>60.22</b>	<b>(0.06)</b>	<b>60.16</b>
Borrowing – Capital Investment Fund	295.00	-	295.00
<b>Total Programme</b>	<b>353.22</b>	<b>(0.06)</b>	<b>355.16</b>

## General Programme - Status and progress of projects

21. 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.
22. 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	22.17	37%
On site	21.71	36%
Programmed to start later in year	13.01	22%
Not yet programmed	3.27	5%
<b>Total</b>	<b>60.16</b>	<b>100%</b>

23. 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 £51.44m (86%) 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>60.16</b>
Actual spend to date	31.37
Expected spend for P11-P12	20.07
<b>Outturn Projection</b>	<b>51.44</b>
<b>Variance to current budget</b>	<b>(8.72)</b>
<b>Major Areas which require re-phasing to 2018/19</b>	
- Schools related projects	2.27
- Public Building Repairs	0.30
- City Cycle Ambition Grant	1.25
- 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
<b>Total re-phasing requirement</b>	<b>8.72</b>

24. For 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, £7.90m of the £8.72m was explained in the previous monitoring report with the additional £0.82m being:

- **City Cycle Ambition Grant – £819k** : Transport for Greater Manchester have, with agreement from the Department of Transport, agreed that the deadline for using the grant can be extended to 2019/20. The major projects included are the Stretford Road / Talbot Road Cycleway scheme and the WestPoint Junction, Old Trafford and the opportunity has been taken to ensure that budgets are phased to ensure proper delivery of the proposed projects.

## Capital Investment Fund

25. The Council's Investment Strategy was approved by the Executive in July 2017 when approval was given to increase the Capital Investment Fund to £300m, supported by prudential borrowing, to support the approach. To date five transactions have been agreed at a total capital cost of £90.68m with others currently under consideration. This investment will provide a net benefit to support the revenue budget in 2017/18 and later years.

<b>Table 6 : Capital Investment Strategy</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>Total £m</b>	
<b>Total Investment Fund</b>	<b>295.00</b>	<b>5.00</b>	<b>300.00</b>	
Activity to date :				<b>Average 10 yr.net return (%)</b>
<b>Projected Cost</b>				
K Site, Stretford (*)	1.13	11.38	12.51	n/a
Sonova House, Warrington	12.17		12.17	0.69
DSG, Preston	17.39		17.39	2.60
Grafton Centre incl. Travelodge Hotel, Altrincham	10.81		10.81	1.28
Provision of debt financing for residential development	37.80		37.80	6.00
<b>Total investments</b>	<b>79.30</b>	<b>11.38</b>	<b>90.68</b>	
<b>Balance available</b>			<b>209.32</b>	

(\*): Projected costs include £450k for the capitalisation of temporary borrowing for the period covering the development of the site.

## Issues / Risks

26. 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

27. That the Executive notes the report, in particular:
- a) the forecast revenue budget underspend of £404k;
  - b) the changes to the Capital Programme as detailed in paragraph 19.