

TRAFFORD COUNCIL

Report to: Executive

Date: 23 July 2018

Report for: Information

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

Report Title:

Budget Monitoring 2018/19 – Period 2 (April to May 2018).

Summary:

The purpose of this report is to inform Members of the current 2018/19 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:

- a) the Executive note the report and the changes to the Capital Programme as detailed in paragraphs 17 and 24.

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 2018/19.
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 ClearanceGB.....

Legal Officer ClearanceDS.....

CORPORATE DIRECTOR'S SIGNATURE

REVENUE BUDGET

Budget Monitoring - Financial Results

1. The approved budget agreed at the 21 February 2018 Council meeting is £164.25m. In determining the budget an overall gap of £22.945m was addressed by a combination of additional resources of £12.972m, including projected growth in business rates, council tax and use of general reserve and £9.973m of service savings and additional income.
2. Based on the budget monitoring for the first 2 months the year end forecast outturn is an overspend of £1.100m, mainly attributable to increased costs in the children's placements budget. At this stage of the year a cautious approach is taken when projecting budgets and a prudent level of contingency budgets are included in the CFW service area to cover the risks associated with the demand led budgets in this area. Caution should be exercised as the projections are based on a number of assumptions including delivery of the significant savings programme in year (See Para 8), the ongoing risk to business rate income (See Para 14) and the stability of demographic pressures in social care. This is the first monitor of the financial year and it is expected that the overspend will be contained within the overall budget, given the level of contingency remaining.
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	2018/19 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	32,436	34,051	1,615	5.0%
Adult Services (Inc. Public Health)	59,999	59,916	(83)	(0.1)%
Economic Growth, Environment & Infrastructure	23,861	23,845	(16)	(0.1)%
Transformation & Resources	17,280	17,332	52	0.3%
Total Directorate Budgets	133,576	135,144	1,568	1.2%
Council-wide budgets	30,670	30,202	(468)	(1.5)%
Net Service Expenditure variance	164,246	165,346	1,100	0.7%
Funding				
Business Rates (see para. 14)	(67,619)	(67,619)	-	
Council Tax (see para. 11)	(94,497)	(94,497)	-	
Reserves	(1,630)	(1,630)	-	
Collection Fund surplus	(500)	(500)	-	
Funding variance	(164,246)	(164,246)	0	0.0%
Net Revenue Outturn variance	0	1,100	1,100	0.7%
Dedicated Schools Grant	126,952	127,415	463	0.4%

Public Health	12,178	12,178	0	0.0%
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Budget Adjustments and Virements

4. A small number of budget adjustments have been made, under delegated powers, since the February 2018 Budget Report mainly attributable to the allocation of the pay award from the Council-wide budget to the relevant service areas.

Main variances, changes to budget assumptions and key risks

5. The main variances contributing to the projected overspend of £1.100m, 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	1,615	<p>The projected outturn position is £1.615m overspent.</p> <p><u>Breakdown of Overspend</u></p> <ul style="list-style-type: none"> • £1.266m Children's placements Budget (Note 1) • £0.349m Home to School Transport and staffing costs. (Note 2) <p><u>Note 1</u></p> <p>The projected outturn position is a gross overspend of £1.506m this is partially offset by a one off underspend of £240k on the Regional Adoption Agency. The variance is as a result of a continuing rise in demand and the increasing costs of Children's placements which is in contrast to the assumptions in the budget. During April and May there has been increased demand on the service that will cost in the region of £540k in this financial year.</p> <p>The service is working on strategies to recover the forecasted overspend and will attempt to make the most cost effective decisions for Children entering care without compromising on outcomes for Children and safety. Increased scrutiny will be required in this area in this financial year, finance will work in conjunction with the service to increase challenge on decisions made at the front door. The service is also adopting new working methods in the form of Restorative Practice aimed improving early help and reducing the need for the escalation of Children through the service.</p> <p>The position assumes that the £900k savings target will be achieved in full. As at 31/05/18 £438k of the</p>

		<p>savings target has been achieved via the planned de-escalation of Children's placements.</p> <p>Within the projected position there is a contingency for forecasted demand on the service of £1.7m. This will be released throughout the financial year if the service can prevent or decrease new activity then there will be a corresponding reduction in the overspend.</p> <p>The number of children in care as at the end of May was 386, a decrease of 1 from that last reported in the 2017/18 outturn report.</p> <p><u>Note 2</u> The Home to School Transport service continues to experience high demand and although the full extent of projected costs will not be known until demand is confirmed when the new school year commences in September current forecasts show that the service will be £200k overspent at the year end.</p> <p>The remainder of the overspend is due to staffing costs most notably in Special Educational Needs where the service requires additional resource to clear the backlog of Education Health and Care plans.</p> <p>Finance will work with the service to recover the projected overspend throughout the financial year.</p>
Adult Services / Public Health	(83)	<p>The projected outturn position at the end of May is an underspend of £83k.</p> <p><u>Breakdown of Overspend</u></p> <ul style="list-style-type: none"> • £(74)k variance Adults Client Budget (Note 1) • £0.152m Deprivation of Liberties (DOLS) (Note 2) • £(0.161)m Vacancies and one off savings (Note 3) <p><u>Note 1</u> The main area of volatility is in the adult client budget.</p> <p>The market continues to be complex and there is a significant challenge for the service to procure care at the council framework prices, however commissioners have had recent success in this area. As at the end of May the Council is forecasting to spend around £2m on care exceeding framework</p>

		<p>prices and despite an allowance being included in the budget for this, there is a projected pressure of £800k.</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>However, this cost pressure has been offset by an increase in client contributions towards care costs. This is as a result of a detailed review of Client Financial Assessments undertaken by the Assessments and Clients Services team.</p> <p>Within the budget there is a savings target of £2.450m that is projected to be achieved in full, savings achieved to date are £1.235m</p> <p>Within the current forecast there is a contingency of £1.5m.</p> <p>What is the service doing to prevent an escalation in costs?</p> <ul style="list-style-type: none"> • The service is actively undertaking a programme of reassessments to ensure that care packages are in line with client needs. • 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. • 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><u>Note 2</u> Included within the forecast is a £152k overspend on Deprivation of Liberty fees due to known demand on forecasted capacity.</p> <p><u>Note 3</u> The outturn position includes an underspend on staffing due to vacancies of (£161k).</p>
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		<p><u>Community Services Contract</u></p> <p>The Council and Trafford CCG are parties in the above contract with Pennine Care Nhs Foundation Trust. The contract is expected to overspend by around £2m in this financial year; a risk share agreement has been agreed that will see the Council responsible for 25% of any overspend at the end of the financial year.</p> <p>The expected overspend will be met by savings achieved across the CFW directorate during the financial year, regular updates will be provided in forthcoming budget monitoring reports.</p>
Economic Growth, Environment & Infrastructure	(16)	<p>The projected underspend includes:</p> <p>Staffing vacancies of £277k, which is approximately 4.5% of the overall staffing budget. Efforts are continuing to fill vacant posts and a number of services are in the process of restructuring. This is £77k in excess of the savings target.</p> <p>Net additional income of £116k in respect of car park income</p> <p>These savings have been offset by additional cost of waste management £106k and property maintenance of £54k and other minor variances of £17k</p> <p>Planning income is £318k above target and is ring fenced for re-investment in the service in line with government regulations</p>
Transformation & Resources	52	<p>The projected overspend is mainly attributable to a shortfall in income relating to the Waterside Arts Centre.</p> <p>The budget includes a saving of £1m from Directorate-wide efficiencies and income generation. Of this £200k is expected to be delivered from trading services based on current business trends, and £67k has already been achieved from general running costs across all services. The remaining £733k is projected to be achieved in full arising from natural staff turnover across the Directorate (£656k staff underspend is projected) plus further additional trading income in a number of areas (e.g. £108k from ICT).</p>
Council-wide budgets	(468)	<p>The projected underspend is mainly due to additional net income to be generated from the Investment</p>

		Strategy following recent decisions made by the Investment Management Board.
Dedicated Schools Grant	(463)	There is a projected deficit on the DSG attributable to additional pressures on the High Needs Block. This will be addressed in a separate report to the Executive.

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.

Table 3: Locality Plan Update	2018/19 Budget (£000's)	Outturn (£000's)	Variance (£000's)	Percentage
Public Health	12,178	12,178	0	0.0%
Adult Social Care	60,272	60,189	-83	0.14%
Children and Families	33,718	35,333	1,615	4.79%
Total	106,168	107,700	1,532	1.44%

MTFP Savings and increased income (Vision 2031 Portfolio)

8. The 2018/19 budget is based on the achievement of permanent base budget savings and increased income of £9.973m (see para. 1 above). At this stage the latest forecast indicates that total savings of £9.879m which is marginally under target and this has been included in monitoring position above.

RESERVES

9. The pre-audited General Reserve balance brought forward is £6.00m, the approved minimum level agreed by Council in February 2018.
10. Service balances brought forward from 2017/18 were a net £3.88m; a number of commitments exist on these but a full review will be undertaken during the course of the year.

Table 4: Service balances	b/f April 2018 (£000's)
Communities, Families & Wellbeing	(1,132)
Economic Growth, Environment & Infrastructure	(871)
Transformation & Resources	(1,876)
Total (Surplus)/Deficit	(3,879)

COLLECTION FUND

Council Tax

11. The 2018/19 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 2018 was £2.18m.
12. As at May 2018 the end of year surplus balance is forecasted to be £1.54m, after the application of £0.59m of brought forward surplus and addition of an in-year surplus of £53k and £100k of backdated valuations. The Council's share of this is £1.28m, and is planned to support future budgets in the MTFP.
13. Council Tax collection rate as at 31 May 2018 was 21.1%, which is slightly ahead of the target of 20.91%.

Business Rates

14. The 2018/19 budget included anticipated growth in retained business rates and related S31 grants of £9.89m and at this stage it is still anticipated that this will be achieved in year. However, there still remains significant risk from an increase in business rate appeals.
15. Business Rates collection rate as at 31 May 2018 was 21.48% compared to a targeted collection rate of 19.50%.

CAPITAL PROGRAMME

16. The value of the indicative 2018/19 Capital Programme set in February 2018 was £59.42m and included £5.00m for the Capital Investment Programme phased to 2018/19 (see para.24). Taking into account re-phasing from 2017/18, changes to government grant allocations and new external contributions the budget is currently estimated at £333.10m. The changes to the budget are detailed below and are summarised as follows :

Table 5 - Capital Investment Programme 2018/19	Approved Programme £m	Changes £m	Current Programme £m
Service Analysis:			
Children, Families & Wellbeing	11.85	3.66	15.51
Economic Growth, Environment & Infrastructure	13.97	16.78	30.75
Transformation & Resources	28.60	3.01	31.61
General Programme Total	54.42	23.45	77.87
Capital Investment Fund	5.00	250.23	255.23
Total Programme	59.42	273.68	333.10

17. Amendments to General Capital Programme

➤ Rephasing from 2017/18 - £16.49m

As reported in the 2017/18 Outturn Report a number of schemes did not complete in 2017/18 as expected and the budgets have been re-phased into 2018/19 and later years.

➤ Changes to government grant allocations - £(214)k

These include a reduction in the Better Care Fund allocation for disabled facilities grants of £23k and reductions to the schools capital maintenance grant (£161k) and the Healthy Pupils grant (£30k).

➤ New schemes and increases to existing budgets - £7.17m

- Additional highways maintenance investment of £17.0m, over 3 years subject to resource availability in years 2 and 3, was approved by the Executive on 19 March 2018. £5.90m is to be undertaken in 2018/19 and is to be funded from borrowing of £5.50m supplemented by a one-off contribution of £0.4m from the One Trafford Partnership contract during 2018/19. The borrowing costs, estimated at £688k a year over the next 10 years, are to be paid for by reducing the annual highway maintenance revenue expenditure by £97k and £591k from contingency budgets.
- As agreed in the 2017/18 Outturn Report £500k of identified savings has been added to support major refurbishment works at Urmston Leisure Centre, taking the total budget to £6.95m.
- Adjustments of £108k relating to schools capital maintenance works in 2017/18 have been identified. This is to be reimbursed by the contractor

and increases the available resources to be invested in 2018/19. (see Education and Early Years Capital report to Executive on 25 June 2018)

- The Trio Bins “Recycling on the Go” initiative is to continue in 2018/19 with a second phase aimed at putting the bins in parks & open spaces across the borough. The investment of £152k is to be funded from One Trafford Partnership reserve.
- Highways England contribution towards cycling infrastructure works from Urmston to Sale Water Park of £153k.
- The Greenspace Capital Programme 2018-19 report to Executive on 19 March 2018 approved the addition of £111k of S.106 contributions to support Play Area and Parks Infrastructure work programmed for 2018/19.
- £95k of loan repayments received from the Town Centre Loan scheme is available to be recycled in 2018/19 to continue the initiative, which is now in its 6th year.
- The Youth Offending Service is currently renting space within Sale Police Station. In order to move the service into Sale Waterside with other similar services £82k is required to undertake changes to the Talkshop in Sale Waterside. The cost of borrowing to fund the works is estimated at £18k per annum. These can be met from the annual saving in rent of £32k by vacating Sale Police Station.
- The CRM Upgrade scheme is now expected to complete in August 2018 rather than June and as a result costs have increased. £74k of the Transformation & Resources reserve has been earmarked and added to the budget to cover these additional costs.

18. 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 2018/19	Approved Programme £m	Changes £m	Current Programme £m
External:			
Grants	10.61	6.08	16.69
Contributions	9.40	1.81	11.21
Sub-total	20.01	7.89	27.90
Internal:			
Receipts	6.91	10.58	17.49
Borrowing	22.48	3.97	26.45
Reserves & revenue contributions	5.02	1.01	6.03
Sub-total	34.41	15.56	49.97
Total Resourcing	54.42	23.45	77.87

Status and progress of projects

19. On average outturn performance over the last 4 years has been £32.09m which shows that the delivery of the current Capital Programme quite ambitious. This

section aims to give certainty about delivery and the level of outturn performance that can be expected.

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.

Table 7 - Status on 2018/19 Projects	Current Budget £m	Percentage of Budget
Already complete	6.96	9%
On site	24.64	32%
Programmed to start later in year	29.59	38%
Not yet programmed	16.68	21%
Total	77.87	100%

21. The first three categories give a good indication as to the level of confirmed expenditure to be incurred during the year. As can be seen £61.19m (79%) of the budget has now been committed or is programmed to start in the year.
22. Since the budget was set in February 2018 reports detailing planned projects totalling £10.22m covering highways, and greenspace to be undertaken during the year have been agreed by the Executive and all schemes are programmed to be undertaken in 2018/19.
23. Schemes with a value of £16.68m are classed as “Not yet programmed” and relate to budgets where specific projects have not yet been agreed or budgets that have yet to have a start date, these include:
- Corporate Landlord Programmes - £1.36m : This includes Public Building Repairs and DDA schemes which are currently being finalised and will be brought to a future Executive for approval.
 - Leisure Services Assets – Improvement Programme - £12.99m : Budget of £19.72m, agreed in February 2018, is phased to 2018/19 and whilst work at Urmston Leisure Centre is agreed and planned to start later in the year, other projects are still to be approved and subject to individual business cases.
 - School Expansion Programme - £1.16m : An un-allocated balance remains following the approval by Executive of the 2018/19 schools capital investment works. This will be subject of a separate report to Executive.
 - City Cycle Ambition Grant Programme - £424k : Negotiations are still ongoing with TfGM to finalise the works to be undertaken.

CAPITAL INVESTMENT PROGRAMME

24. 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. The original budget

for 2018/19 was £5.00m, however re-phasing from 2017/18 of £250.23m has resulted in a budget of £255.23m.

25. To date eight transactions have been agreed by the Investment Management Board at a total capital cost of £179.02m. This investment will provide a net benefit to support the revenue budget in 2018/19 and later years.

Table 8 : Capital Investment Strategy	2017/18 £m	2018/19 £m	Total £m
Total Investment Fund			300.00
Activity to date :			
Projected Cost			
K Site, Talbot Rd, Stretford	1.24	25.17	26.41
Sonova House, Warrington	12.17		12.17
DSG, Preston	17.39		17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	10.84		10.84
No.1, Old Trafford : Debt financing for residential development	3.13	37.77	40.90
Brown Street, Hale		6.21	6.21
Trafford Magistrates Court, Sale		4.30	4.30
The Crescent, Salford : Debt financing for residential development		60.80	60.80
Total investments	44.77	134.25	179.02
Balance available			120.98

26. The purchase of Site K, Stretford was completed in April 2018 and the joint venture company with Bruntwood has been set up to progress the development of the site.
27. The proposed residential development of the Brown Street site in Hale is to be undertaken by Trafford at a cost of £6.21m. It is proposed that financing costs of £160 p.a. will be capitalised during the development period, after which the projected development value will be £7.97m, giving a net surplus of approximately £1.60m.

Issues / Risks

28. 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.