

TRAFFORD COUNCIL

Report to: Executive

Date: 17 September 2018

Report for: Information

Report of: The Executive Member for Finance and the Corporate Director of Finance and Systems

Report Title:

Budget Monitoring 2018/19 – Period 4 (April to July 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 paragraph 16.

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 ClearanceDM.....

Legal Officer ClearanceJLF.....

CORPORATE DIRECTOR'S SIGNATURE ...

G. Bentley

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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 4 months, the year end forecast outturn is an overspend of £1.958m, an increase of £0.858m since the last monitoring period and mainly reflects continuing pressures in social care detailed in Table 2. Despite continuing efforts to control expenditure across demand led services, the number of children in care has increased from the figure last reported to 389 at the end of July. Whilst the quality of care and outcomes for children and their safety remain paramount, the Council will continue to make the most cost effective arrangements for children entering care. It should be noted that local authorities across the country are seeing an increase in the cost of residential support for children entering care, particularly when placements are required outside of borough, and whilst options are being actively pursued to reduce the level of placements outside of Trafford, this is proving challenging given the increase in demand of children entering the system. Also the judiciary can make it difficult to control looked after children numbers locally. At this stage a cautious approach continues to be taken in the projections, in line with the approach in previous years, with a prudent level of contingency budget remaining in the adults and children's service areas. This position will be closely monitored to understand the implications on future year's budgets.
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	32,373	34,333	1,960	6.1%
Adult Services (Inc. Public Health)	60,062	60,533	471	0.8%
Place	23,874	23,686	(188)	(0.8)%
People	2,762	2,838	76	2.8%
Finance & Systems	6,997	6,994	(3)	(0.0)%
Governance & Community Strategy	7,508	7,639	131	1.7%
Total Directorate Budgets	133,576	136,023	2,447	1.8%
Council-wide budgets	30,670	30,181	(489)	(1.6)%
Net Service Expenditure variance	164,246	166,204	1,958	1.2%

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	1,958	1,958	1.2%
Dedicated Schools Grant	128,036	128,147	111	0.1%
Public Health	12,178	12,378	200	1.6%

Budget Adjustments and Virements

4. A small number of budget adjustments have been made, under delegated powers, since the Period 2 Budget Monitoring Report.

Main variances, changes to budget assumptions and key risks

5. The main variances contributing to the projected overspend of £1.958m, 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	1,960	<p>Outturn variance £1.960m adverse, a £345k adverse movement since P2:</p> <ul style="list-style-type: none"> ➤ £1.648m overspend in Children's placements Budget (Note 1); ➤ £167k additional Home to School Transport costs (Note 2); ➤ £145k additional staffing costs and underachievement of income (Note 3). <p>Note 1 The projected outturn position is a gross overspend of £1.888m, 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.</p> <p>Since the last monitoring report at the end of May the service has experienced increased cost pressures in External Children's home placements £196k, connected persons foster care £139k and Complex and Additional Needs £117k. The increases have been partially offset by minor decreases in other placements amounting to £116k.</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.</p> <p>The service is actively pursuing options that will allow Children currently placed outside of the borough in high cost external placements to return to Trafford which would result in cost reductions, maximising internal sufficiency. The service is also adopting new working methods in the form of Restorative Practice aimed at 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 31/07/18 £553k of the 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 £1.3m. 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 July was 389, an increase of 3 from that last reported at the end of May.</p> <p><u>Note 2</u> The Home to School Transport (Trafford Travel Co-ordination Unit) 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 £167k overspent at the year end. Although savings have been made on the staffing budget there are a number of new and expanded “runs” which have resulted in higher contractor costs for commissioned transport. The Service continues to promote independent travel training for young people and car mileage payments to parents as a package of flexible travel assistance solutions for families; this helps reduce demand for transport.</p>
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		<p>Note 3 The remainder of the overspend is due to staffing costs and projected under achievement of income £145k.</p> <p>Finance will work with the service to attempt to recover the projected overspend throughout the financial year.</p>
Adult Services / Public Health	471	<p>Outturn variance £471k adverse, a £554k adverse movement since P2:</p> <ul style="list-style-type: none"> ➤ £309k adverse variance in the Adults Client Budget (Note 1); ➤ £97k increase in Deprivation of Liberties (DOLS) costs (Note 2); ➤ £135k reduction in costs due to vacancies and one off savings (Note 3); ➤ £200k net overspend from the Council's contribution to the Community Services Contract. <p>Note 1 The main area of volatility is in the adult client budget.</p> <p>There has been a higher than expected spike in referrals into Adult Social Care during the last few months; this was mainly in hospital sites and corresponded with an increased focus on reducing the length of stay in acute beds ahead of the summer pressures, in line with the GM initiative.</p> <p>The use of the discharge to access pathways has supported Trafford to manage the increase and stabilise the impact on delayed transfers of care but ultimately this has had an impact on the 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 July the Council is forecasting to spend around £2.2m on care exceeding framework prices.</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</p>

		<p>pressure in this area as residents are brought out of hospital quickly to assess their needs in the community.</p> <p>However, this has been mitigated by an increase in client contributions that have emerged as a result of a detailed review of Client Financial Assessments undertaken by the Assessments and Clients Services team to ensure that contributions are in line with the income received by individual clients.</p> <p>Within the budget there is a savings target of £2.620m, savings achieved to date are £1.373m. The current forecast reflects a projected underachievement of savings by £222k. The projection is a reflection of the savings made to date from Reassessments; the service is at the end of a 5 year cycle which has resulted in the majority of care packages being at the optimum level in terms of assessed need. The service continues to actively pursue opportunities to reduce costs in other areas to mitigate against the underachievement of savings.</p> <p>Within the current forecast there is a contingency of £1.050m.</p> <p>What is the service doing to prevent an escalation in costs?</p> <ul style="list-style-type: none"> • Commissioners continue to increase the capacity of Homecare available to the council, and have brought another nine SAMS providers 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. • Commissioning are actively reviewing the payments the Council are making over and above framework prices, where possible alternative providers will be sourced to reduce the pressure on the budget however it is important to note that quality will not be compromised. • Increases in the use of technology are being promoted and further developments will
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		<p>continue in this area to attempt to decrease the need for human intervention and to promote independence.</p> <p>Note 2 Included within the forecast is a £230k gross overspend on Deprivation of Liberty fees due to known demand on forecasted capacity. This has been partially offset by one off grant funding of £133k resulting in a net overspend of £97k.</p> <p>Note 3 The outturn position includes an underspend on staffing due to vacancies and one-off savings of £135k.</p> <p>Note 4 - Community Services Contract 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 £1.8m in this financial year; a risk share agreement has been agreed that will see the Council responsible for around 25% of any overspend at the end of the financial year, this equates to around £450k.</p> <p>The service has estimated that expenditure can be reduced in other areas of the Public Health budget by £250k to mitigate against the pressure in this financial year, the remaining projected overspend is therefore £200k.</p> <p>Regular updates will be provided in forthcoming budget monitoring reports.</p>
Place	(188)	<p>Outturn variance £188k favourable, a £172k favourable movement since P2</p> <ul style="list-style-type: none"> ➤ staff underspend from vacancies of £491k, which is £297k in excess of the savings target and equates to approximately 5.5% of the overall staffing budget. Efforts are continuing to fill vacant posts and a number of services are in the process of restructuring; ➤ net income savings from property rents, car park income and other fees of £60k; ➤ partly offset by a net overspend in running costs of £169k across all services, including the £106k from waste management disposal costs previously reported; ➤ Note - Planning income is £460k above

		<p>target and is ring fenced for re-investment in the service in line with government regulations.</p> <p>Period movement £172k favourable:</p> <ul style="list-style-type: none"> ➤ additional car parking income £128k, in particular from Oakfield Road and Regent Road car parks remaining in operation longer than expected; ➤ one-off licence fee from MUFC relating to events, £41k; ➤ increased running costs £58k, in particular relating to rates bills for car parks and other property higher than previously expected, £52k and a £37k rate bill for Trafford Park depot pending disposal of the site; ➤ increased underspend on staff costs £61k.
People	76	<p>Outturn variance £76k adverse, a £177k adverse movement since P2:</p> <ul style="list-style-type: none"> ➤ staff underspend from vacancies of £140k which is 2.8% of the total staffing budget, and additional income mainly from traded services of £67k mean the service savings target has been exceeded by £17k ➤ one-off costs of £57k relating to changes to the Council's Executive management structure; ➤ running costs are slightly higher than budget by £36k, due mainly to one-off ICT costs in HR.
Finance & Systems	(3)	<p>Outturn variance £3k favourable, a £5k favourable movement:</p> <ul style="list-style-type: none"> ➤ staff underspend from vacancies are £245k, representing 3.3% of the total staffing budget and an underspend on running costs of £41k mainly on ICT contracts mean the service savings target has been exceeded by £3k. ➤ The main areas of vacancy underspending are Exchequer services, where staff turnover is traditionally high, and ICT which reflects the current difficulties in recruiting to this service.

Governance & Community Strategy	131	<p>Outturn variance £131k adverse, a £20k favourable movement:</p> <ul style="list-style-type: none"> ➤ staff underspend from vacancies are £292k, representing 4.3% of the total staffing budget. The main areas include £161k in Legal Services, £95k in Access Trafford and £34k in Partnerships & Communities. This is £32k in excess of the overall savings target for the service and has been achieved from natural staff turnover across the Directorate; ➤ an overspend in running costs of £99k, including demand led legal costs of £39k and £58k relating to the trading position of Sale Waterside Arts Centre; ➤ a shortfall in other savings of £71k, mainly relating to projected income at Sale Waterside Arts Centre of £53k. CCTV trading income is also expected to be £18k below the budgeted savings target; ➤ £7k saving from additional SLA income in Legal Services.
Council-wide budgets	(489)	<p>Outturn variance £489k favourable, a £21k favourable movement since P2:</p> <ul style="list-style-type: none"> ➤ £343k additional net income to be generated from the Investment Strategy following recent decisions made by the Investment Management Board. This is an adverse movement of £125k since the last report due to a later than anticipated drawdown of funds on a debt finance project; ➤ A number of Council-wide contingencies and provisions relating to service savings not being achieved and doubtful debts have been reviewed. It is considered appropriate at this stage of the year, after taking account of one-off costs relating to capital projects no longer proceeding, to release 25% of these totaling £289k; ➤ The latest monitoring information from Stockport Council has identified a projected overspend in Coroners and Mortuary fees of £66k. This is due mainly to an increase in body removal, body storage and post mortem contract costs. The Coroners service is currently looking at ways to reduce some of these costs and the current projection is a worst case scenario;

		➤ Treasury Management adverse variances of £77k.
Dedicated Schools Grant	111	High Needs Block: Projected overspend significantly reduced from period 2 as a result of savings proposals being agreed to address pressures in the High Needs block.

MTFP Savings and increased income (Vision 2031 Portfolio)

6. 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 £9.637m will be achieved, which is marginally under target and this has been included in the monitoring position above.

RESERVES

7. The General Reserve balance brought forward is £6.00m, the approved minimum level agreed by Council in February 2018.
8. 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.

	b/f April 2018 (£000's)
Table 3: Service balances	
Children's Services and Adult Social Care	(1,132)
Place	(871)
People	(361)
Finance & Systems	(1,129)
Governance & Community Strategy	(386)
Total (Surplus)/Deficit	(3,879)

COLLECTION FUND

Council Tax

9. 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.
10. As at July 2018 the end of year surplus balance is forecasted to be £1.57m, after the application of £0.59m of brought forward surplus and addition of an in-year surplus of £87k and £100k of backdated valuations. The Council's share of this is £1.32m, and is planned to support future budgets in the MTFP.

11. Council Tax collection rate as at 31 July 2018 was 39.71%, which is ahead of the target of 39.57%.

Business Rates

12. 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.
13. Business Rates collection rate as at 31 July 2018 was 38.74% compared to a targeted collection rate of 38.24%.

CAPITAL PROGRAMME

14. 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 paragraph 24). Taking into account re-phasing from 2017/18, changes to government grant allocations and new external contributions the budget is currently estimated at £340.12m.
15. Recent changes to the Directorates along with changes to the budget since the last monitoring report are detailed below and are summarised as follows :

Table 4 - Capital Investment Programme 2018/19	Approved Programme £m	Changes £m	Current Programme £m
Service Analysis:			
Children's Services	13.18	0.12	13.30
Adult Social Care	2.34	-	2.34
Place	58.45	6.90	65.35
Governance & Community Strategy	1.97	-	1.97
Finance & Systems	1.93	-	1.93
General Programme Total	77.87	7.02	84.89
Capital Investment Fund	255.23	-	255.23
Total Programme	333.10	7.02	340.12

16. Amendments to General Capital Programme

➤ Changes to government grant allocations - £116k

Following a challenge to the ESFA allocation of schools capital maintenance and Healthy Pupils grants the awards for 2018/19 have been amended with an additional £120k being received. Also notification of the schools devolved formula capital grant has been received resulting in a minor reduction for the year.

➤ **New schemes and increases to existing budgets - £6.904m**

- On 30 October 2017 the Executive approved a further strategic investment, generating an annual coupon return, in Manchester Airport Group. Based on the estimated funding requirement at that time the Council's share of this was £9.93m. There has been a slight increase to the overall funding requirement of MAG which will mean the Council's investment will rise to £11.28m and be fully required in 2018/19; the majority of which will be financed from the Investment Fund Reserve of £9.93m, with the balance financed from borrowing. This additional borrowing can be met from borrowing levels already approved to support the capital programme due to a number of projects being rescheduled to start later than originally planned, with any additional requirement included in the budget setting reports in February 2019.
- Residents Parking Scheme: £587k – On the 23 July 2018 the Executive approved the addition of a two year programme to implement a programme of residents parking schemes which will improve the wellbeing of residents through the alleviation of high volumes of vehicles parking and driving within specified residential areas. The total cost of £1.174m is phased equally across two years and will be funded from the One Trafford Partnership reserve.

17. 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 5 - Capital Investment Resources 2018/19	Approved Programme £m	Changes £m	Current Programme £m
External:			
Grants	16.69	0.12	16.81
Contributions	11.21	-	11.21
Sub-total	27.90	0.12	28.02
Internal:			
Receipts	17.49	-	17.49
Borrowing	26.45	1.35	27.80
Reserves & revenue contributions	6.03	5.55	11.58
Sub-total	49.97	6.90	56.87
Total Resourcing	77.87	7.02	84.89

Status and progress of projects

18. On average outturn performance over the last 4 years has been £32.09m and appears to highlight that delivery of the current Capital Programme is quite ambitious. This section aims to give certainty about delivery and the level of outturn performance that can be expected.
19. 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 6 - Status on 2018/19 Projects	Current Budget £m	Percentage of Budget
Already complete	13.12	15%
On site	31.43	37%
Programmed to start later in year	22.41	27%
Not yet programmed	17.93	21%
Total	84.89	100%

20. 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 £66.96m (79%) of the budget has now been committed or is programmed to start in the year.
21. Schemes with a value of £17.93m 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:
- Leisure Services Assets – Improvement Programme - £14.93m: Budget of £22.22m, agreed in February 2018 (subject to business cases), 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 under review with business cases being developed.
 - School Expansion Programme - £1.12m: An unallocated balance remains following the approval by Executive of the 2018/19 schools capital investment works. This will be the subject of a separate report to Executive for inclusion in the 2019/20 programme.
 - City Cycle Ambition Grant Programme - £552k: Negotiations are still ongoing with TfGM to finalise the works to be undertaken.
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 2019/20. As a result the outturn projection is now estimated to be £62.28m in 2018/19. The table below provides a summary with scheme details shown in the following paragraph.

Table 7 – 2018/19 Outturn Projection	£m
Current General Programme	84.89
Actual spend to date	14.03
Expected spend for P7-P12	48.25
Outturn Projection	62.28
Variance to current budget	(22.61)
Major Areas which require re-phasing to 2019/20	
- Schools related projects	1.74
- Altair Development, Altrincham	1.14
- City Cycle Ambition Grant	0.55
- Leisure Strategy - "Increasing Physical Activity"	18.43
- ICT – Windows 10 Implementation & rollout	0.75
Total re-phasing requirement	22.61

23. Land Sales Programme - Capital Receipts

In order to fund the current Capital Investment Programme there is a requirement for £17.49m of capital receipts (see Table 5). Current projections indicate that in the region of £5.1m will be generated from disposals of surplus assets during the year together with unutilised balances from previous years of £6.5m, giving £11.6m available to support capital expenditure in year. This shortfall of £5.89m would give rise to temporary borrowing costs, unless projects which are planned to be financed from capital receipts are rephased back to 2019/20. This would be an unbudgeted cost but at this stage is unlikely to occur due to a number of major projects now likely to only start later this year, for example Urmston Leisure Centre development which is supported by £3.10m of receipts. This position will be closely monitored during the year with updates given in future monitoring reports.

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 £177.66m. 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	23.81	25.05
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	132.89	177.66
Balance available			122.34

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 note the report and the changes to the Capital Programme as detailed in Paragraph 16.