



TRAFFORD
COUNCIL



Scrutiny Committee – 3 October 2018



Agenda

Agenda Item
2018/19 Budget Scrutiny Process
Background
The Budget Challenge and Budget Assumptions
2018/19 Savings Programme Update
Reserves Position
Investment Fund Performance

Scrutiny Process

§ **Stage 1 (This Session)**

- § Review of the current MTFP position
 - § Understanding the Funding Gap
 - § Review of the Budget Assumptions
 - § Plans for consultation
 - § Progress on achievement of 18/19 savings
 - § Investment Portfolio Update
- § Draft Budget to Executive 15 October 2018
- ## § **Stage 2 (Future Session)**
- § Leader to present budget proposals to Scrutiny on 7 November 2017
 - § Scrutiny review of budget proposals

Financial Context

- § Trafford Council:
 - § Over the period 2010-2017 has saved £128m
 - § In 2018/19 to save a further £10m
 - § By 2021/22 needs to save a further £41m

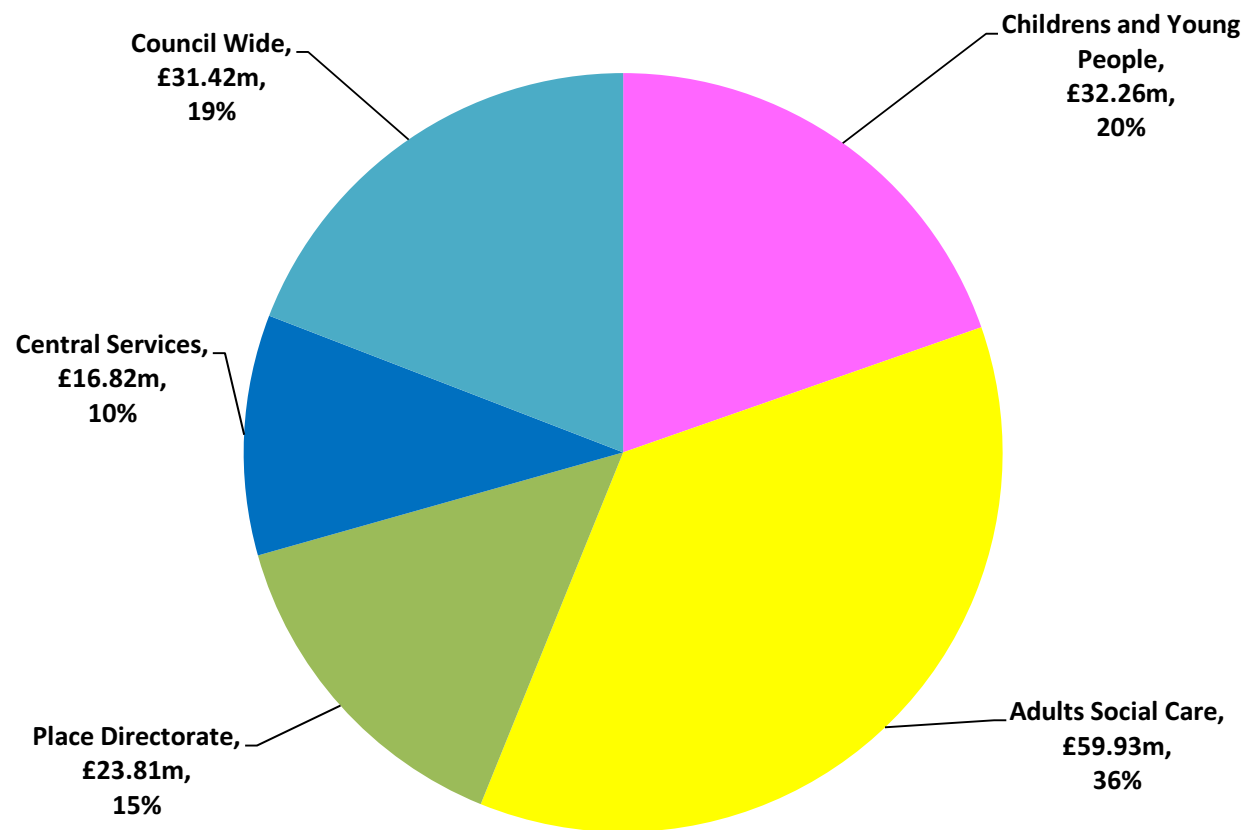
- § Reasons for this are:
 - § Continuing pressure of austerity
 - § Rising demand on services
 - § Changes to central Government funding arrangements

2018/19 Budget

	£m		£m
Gross Expenditure	450.58	Schools DSG	(138.76)
Government Grants	(224.58)	Housing Benefit	(68.56)
Sales, Fees & Charges and Rents	(35.14)	Other	(17.26)
Contributions & Re-imburements	(15.08)		
Other Income	(8.15)		
Earmarked Reserves	(3.38)		
Net Budget	164.25		
Business Rates - Baseline Funding	(57.73)	CFW	92.20
Business Rates - Growth	(9.89)	EGEI	23.81
Council Tax	(95.00)	T&R	16.82
Budget Support Reserve	(1.63)	Council Wide	31.42
Funding	(164.25)		164.25

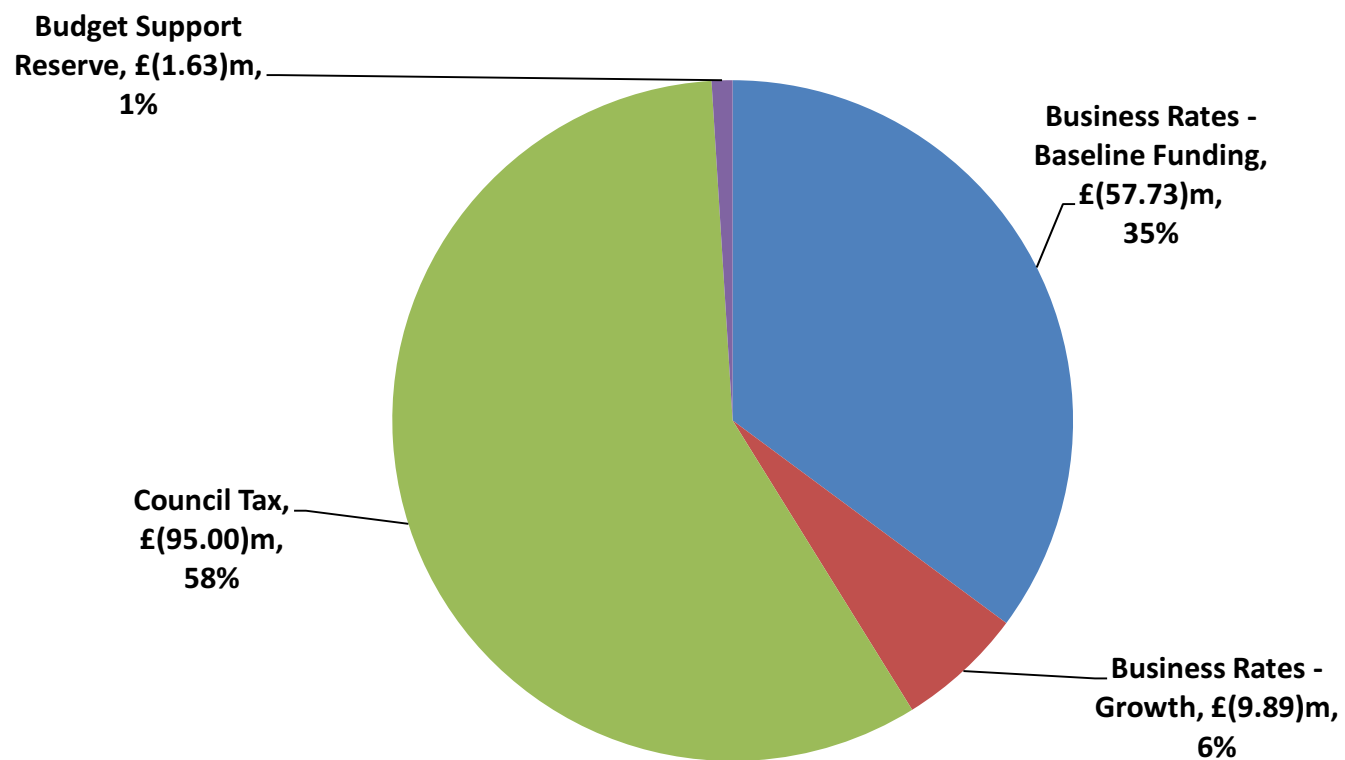
Controllable Budget by Directorate

Controllable Budget by Directorate - £164.25 (£m)



Budget Funding by Source

Budget Funding by Source- £164.25 (£m)





MTFS Position

<i>The 2019-22 Revised Budget Gap</i>	October 2018		
Budget Forecasts	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)
Net Budget b/fwd	164,245	172,958	184,998
Budget Assumptions:			
Pay	1,839	1,670	1,721
Living Wage	1,929	1,572	1,572
Inflationary	278	282	287
Contractual Obligations	2,057	1,930	1,960
Levies	1,188	639	507
Demographic	2,500	2,500	2,500
Grants, Legislative & Service Transfers *	(2,198)	0	0
Loss of Income	(45)	(250)	0
Treasury Management	(420)	(698)	0
Other	1,585	4,395	0
Total Budget Assumptions	8,713	12,040	8,547
Net Budget	172,958	184,998	193,545
Funding:			
Council Tax	(95,460)	(96,476)	(97,548)
Council Tax Release of Prior Year Surplus	(900)		
Business Rates	(65,103)	(53,894)	(54,625)
Contribution to Budget Support Reserve	600		
Available Funding	(160,863)	(150,370)	(152,173)
Cumulative Gross Revised Budget Gap	12,095	34,628	41,372
Annual Revised Gross Budget Gap	12,095	22,533	6,744



MTFS Position

Base Budget Assumptions	2019/20 £m	2020/21 £m	2021/22 £m
Service Expenditure			
Pay: Inflation	2.0% to 7.3%	2.0%	2.0%
	£1.73	£1.32	£1.33
Pay: Pension Inflation	0.0%	0.5%	0.5%
	£0.00	£0.26	£0.26
Pay: Increments & Pension Auto-Enrolment	£0.06	£0.05	£0.05
Pay: Living Wage	£1.93	£1.57	£1.57
General Inflation: Prices	0.0%	2.0%	2.0%
	£0.00	£0.28	£0.28
Contractual Obligations: Inflation Specific e.g. energy	£2.03	£1.91	£1.94
Levies: Waste (GMWDA) Levy Increase	£1.80	(£1.60)	(£0.33)
Demographics: Children	£1.00	£1.00	£1.00
Adults	£1.50	£1.50	£1.50
Treasury Management			
Investment Rates	0.70%	0.99%	1.20%
Debt Rates	2.50%	2.50%	2.50%
Funding			
Council Tax rate increase (Adult Social Care)	1.00%	0.00%	0.00%
Council Tax rate increase (Relevant Basic Amount)	2.99%	2.99%	2.99%
Council Tax base increase	1.00%	1.00%	1.00%
Change in Baseline Funding Level	(8.02)%	1.34%	1.35%
	£(4.62)	£0.71	£0.73

Funding Gap

- § The funding gap for 2019/20 is £12.1m
- § The Council continues to:
 - § Revisit financial assumptions i.e. inflation assumptions, accounting policies
 - § Review business cases and budget proposals to identify further savings
 - § Explore the feasibility of new ideas/proposals put forward
 - § Review income generating proposals to address the remaining gap
- § Draft proposals will be taken to the Executive on the 15th October 2018 after taking into consideration all the above options to address the funding gap

2018/19 Savings Programme

RAG Rating	Orig Prog	Latest Position
	£000	£000
	-	336
	6,477	3,728
	3,496	5,909
Total	9,973	9,973

Council Reserves

<i>Usable Reserves</i>	17/18 £m	18/19 £m	19/20 £m	20/21 £m	21/22 £m
Specific	6.82	6.06	4.95	4.05	4.01
Smoothing	8.36	7.14	5.93	4.77	4.77
Business Rates Growth Pilot	6.69	6.69	6.69	0.00	0.00
Budget Support	6.58	4.95	5.55	4.95	4.95
Service C/fwd	4.56	2.70	2.45	2.32	2.32
Investment Fund	4.96	2.94	0.00	0.00	0.00
NDR Deficit/Levy	5.26	0.00	0.00	0.00	0.00
Earmarked Reserves	43.23	30.48	25.57	16.09	16.05
General Reserve	6.00	6.00	6.00	6.00	6.00
Capital Related Reserves	17.48	6.29	5.36	2.14	0.00
School Related Reserves	8.31	7.61	7.38	7.38	7.38
Total Usable Reserves	75.02	50.38	44.31	31.61	29.43
Provisions	42.59	42.59	42.59	42.59	42.59
Total Usable Reserves & Provisions	117.61	92.97	86.90	74.20	72.02



Investment Fund

Strategic Investment Portfolio	Investment Type	Investment Price £m	Average Annual ROI*	Net Additional Income 2017/18 £'000	Net Additional Income 2018/19 £'000	Net Additional Income 2019/20 £'000	Net Additional Income 2020/21 £'000
Sonovo House	Property	12.2	0.7%	134.3	47.6	47.0	46.9
DSG Preston	Property	17.4	2.6%	169.1	280.4	280.4	430.5
Grafton Centre	Property	10.8	1.3%	37.1	81.4	101.0	101.0
Sale Magistrates Court	Regeneration (direct investment)	4.3	0.0%	0.0	0.0	0.0	0.0
Brown Street, Hale	Regeneration (direct investment)	6.2	0.0%	0.0	0.0	0.0	0.0
K-Site, Old Trafford	Regeneration (direct investment)	14.2	0.0%	0.0	0.0	0.0	0.0
No1 One Trafford	Debt	40.8	3.7%	2.3	720.3	1,651.0	155.1
Bruntwood	Debt	12.2	2.9%	0.0	307.4	343.2	343.6
Arrangement under consideration	Debt	60.8	2.7%	0.0	627.6	1,644.1	1,860.0
Portfolio Total		179.0	2.0%	342.7	2,064.7	4,066.6	2,937.1



QUESTIONS?

