



TRAFFORD
COUNCIL



Scrutiny Committee – 7 November 2018



Agenda

Agenda Item

2018/19 Budget Scrutiny Process

The Leader is to provide a presentation to the Committee on the draft budget proposals.

To receive an update on the Investment Strategy.

Scrutiny Process

- § **Stage 1 (Previous 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
- § Draft Budget to Executive 15 October 2018
- § **Stage 2 (This Session)**
 - § Leader to present budget proposals to Scrutiny on 7 November 2017
 - § Scrutiny review of budget proposals
 - § Investment Portfolio Update



Draft Budget Proposals – Addressing the Budget Gap

| Summary of Budget Proposals | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | Total £'000 |
|---|------------------|------------------|------------------|----------------|
| Gross Budget Gap (Oct 18) | 12,095 | 22,533 | 6,744 | 41,372 |
| Policy Choice Funding Proposals | | | | |
| Reinstate Adult Social Care Precept increase 1% | (950) | 0 | 0 | (950) |
| General Increase in basic Council Tax to 2.99% | (2,839) | (2,973) | (3,080) | (8,892) |
| Contribution from Budget Support/ Business Rate Smoothing Reserves | 0 | (7,300) | 7,300 | 0 |
| Total Policy Choice Funding | (3,789) | (10,273) | 4,220 | (9,842) |
| Savings and Income proposals | (5,943) | (1,885) | 1,645 | (6,183) |
| Revised Budget Gap (Draft) Oct 18 | 2,363 | 10,375 | 12,609 | 25,347 |





Income Proposals

| Description of Saving | 2019/20 £000's | 2020/21 £000's | 2021/22 £000's |
|--|-------------------|-------------------|-------------------|
| Additional income Green Waste Charges | (395) | | |
| CCTV New Trading Model | (15) | | |
| Strategic Investment Income | (214) | | |
| Net Income from Invest Props | 871 | (150) | |
| Existing Income Proposals | 247 | (150) | |
| Net Income from Invest Props (identified) | (1,500) | (400) | 1,900 |
| Increase in Strategic Investment Income | (1,500) | (500) | |
| Review of Car Parking charges | (84) | (73) | |
| Environmental Health - Increase Fee Income (various) | (27) | (5) | (5) |
| Licensing - knowledge test charge | (20) | | |
| Total New Income Proposals Oct 2018 | (3,131) | (978) | 1,895 |
| Total Existing and New Income Proposals | (2,884) | (1,128) | 1,895 |



Savings Proposals

| Description of Saving | 2019/20 £000's | 2020/21 £000's | 2021/22 £000's |
|---|-------------------|-------------------|-------------------|
| Mandatory Recycling | (161) | | |
| Early Repayment of Suppliers Discount | (50) | (100) | |
| Total Existing Saving Proposals | (211) | (100) | |
| Reduction in Insurance costs | (50) | | |
| Reduction in External Children's Home Use | (371) | | |
| Creation of New Post 16 Accommodation | (202) | | |
| Let's Talk | (160) | | |
| Right Care For You | (200) | | |
| Adults Re-assessments | (200) | | |
| Development Management (Planning Performance) | (35) | | |
| Strategic Planning - Remove Greenspace funding contingency budget | (40) | | |
| Allotment Services - removal of subsidy | (20) | | |
| Environmental Health - Reduce budget of dog warden service | (5) | | |

Savings Proposals (cont.....)

| Description of Saving | 2019/20 £000's | 2020/21 £000's | 2021/22 £000's |
|--|-------------------|-------------------|-------------------|
| Customer Services - reduce contact centre opening hours | (21) | | |
| Legal - CCG legal costs | (10) | | |
| Legal - appoint litigation solicitor/reduce external costs | (20) | | |
| Housing Strategy - reduce running costs | (10) | | |
| Partnerships - use of smoothing reserve - one off | (100) | 100 | |
| New Strategic Investment | | | (250) |
| STAR contribution | (36) | | |
| Reinstate saving GMPF Early Retirements Allowance | (350) | | |
| Advance Pension Payment | | (757) | |
| Remove General Inflation provision | (218) | | |
| Reduce General Contingency | (600) | | |
| Debt Restructure savings | (200) | | |
| Total New Savings Proposals 2018 | (2,848) | (657) | (250) |
| Total existing and new Savings Proposals | (3,059) | (757) | (250) |
| Total Savings and Income Proposals | (5,943) | (1,885) | 1,645 |



Addressing the gap 2019/20

| Summary of Budget Proposals | 2019/20 £'000 |
|---|------------------|
| Budget Gap (Draft) Oct 18 | 2,363 |
| Increase Tax Base growth by further 0.5% (to 1.5%) | (491) |
| Additional release of accumulated Council Tax Surplus | (200) |
| New Homes Bonus | (255) |
| Housing Benefit Overpayments recovery (one off) | (400) |
| Additional Income from Investment Property | (214) |
| Total Changes | (1,560) |
| Revised Budget Gap (Nov 18) | 803 |

Remaining Gap

To be met from:-

Further increase to tax base – current assumption 1% but potential to rise to 1.5% = £491k)

Additional release from collection fund surplus (one-off) £200k

New Homes Bonus – likely to be one-off benefit - £255k (depends on level of threshold)

Recovery of Housing Benefit Overpayments – potential one off benefit £400k

Additional income from our Investment Strategy

Any additional savings measures

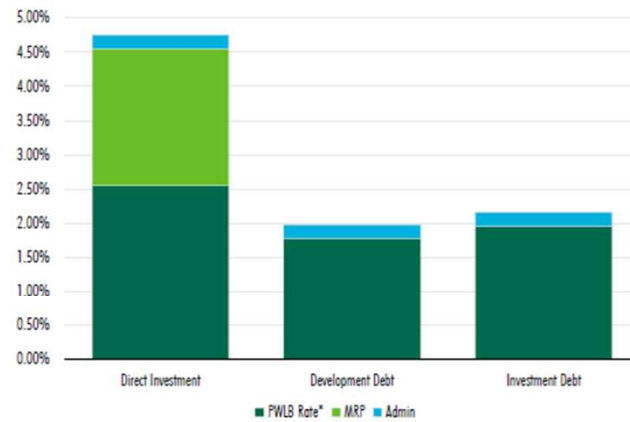
Further Considerations:-

Update inflation assumptions

Implications of expenditure pressures and delivery of savings programme from 2018/19

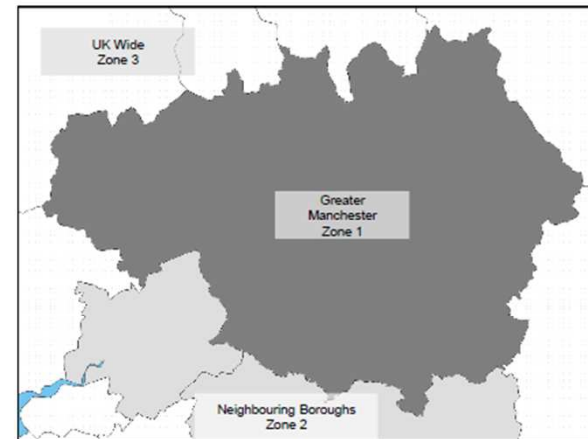


COST OF BORROWING



| | Direct Investment | Development Debt | Investment Debt |
|------------|---------------------|--------------------|--------------------|
| PWLB Rate* | 2.55% pa. (50 year) | 1.78% pa. (3 year) | 1.96% pa. (5 year) |
| MRP | 2.00% pa. (50 year) | 0.00% pa. | 0.00% pa. |
| Admin | 0.20% pa. | 0.20% pa. | 0.20% pa. |
| Total | 4.75% pa. | 1.98% pa. | 2.16% pa. |

GEOGRAPHIC ZONING



| Zone 1 (Greater Manchester) | Zone 2 (Neighbouring Boroughs) | Zone 3 (UK Wide) |
|-----------------------------|--------------------------------|-------------------|
| Commercial Return | Commercial Return | Commercial Return |
| Regeneration/Development | Regeneration / Development | |
| Supporting local investment | | |
| Supporting local services | | |

INCOME PROFILE

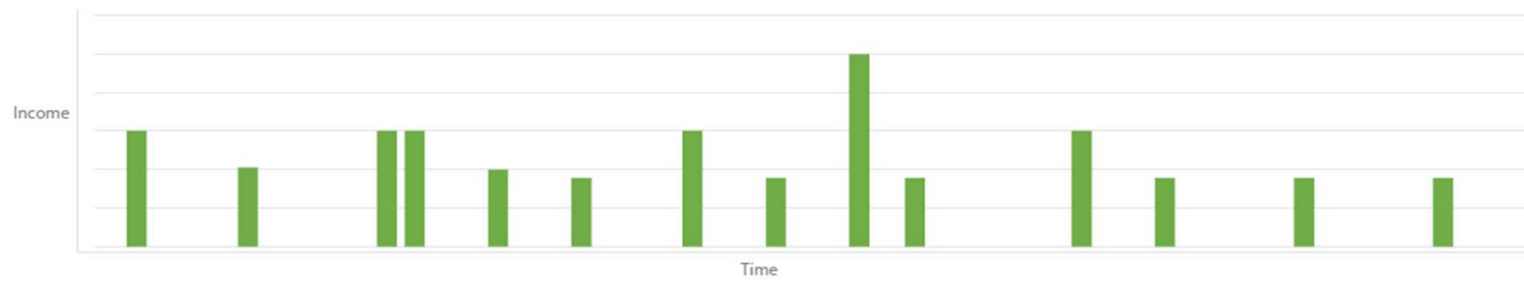




DIRECT RETURN PROFILE



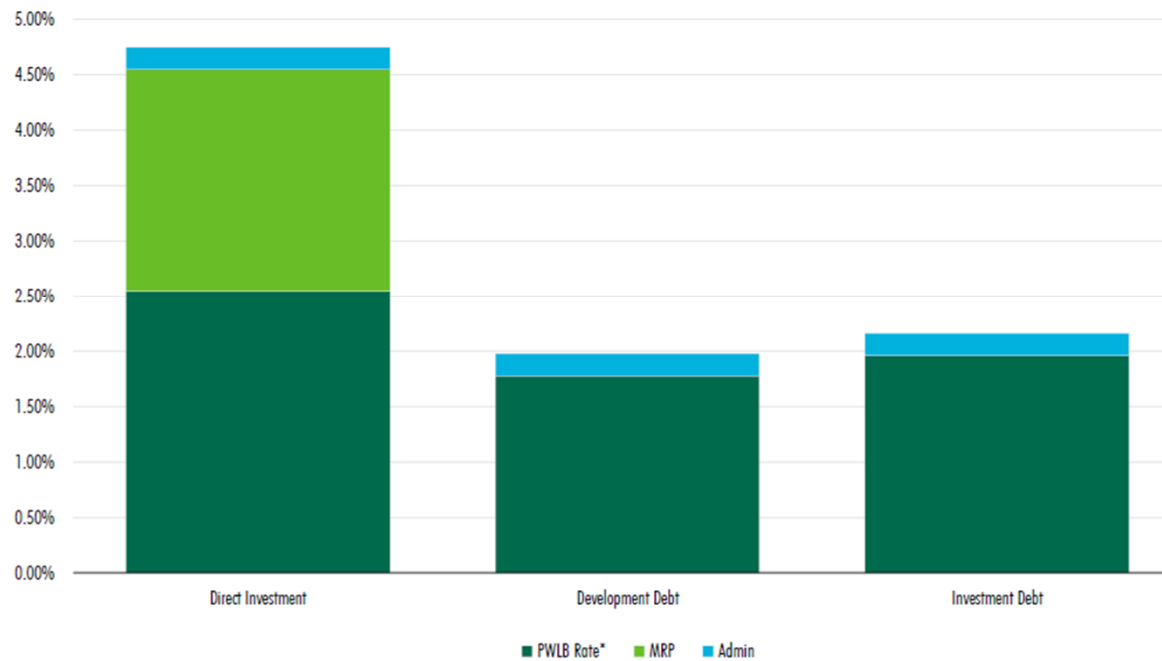
DEVELOPMENT DEBT RETURN PROFILE



INCOME PROFILE



COST OF BORROWING

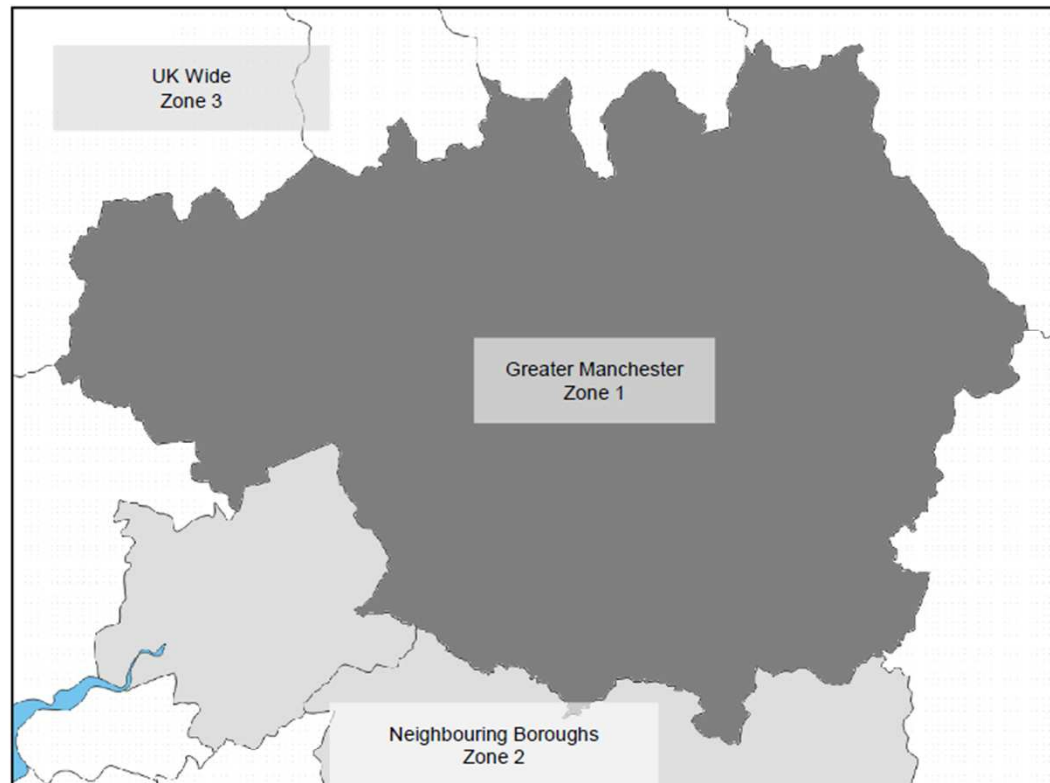


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*PWLB Rates effective 16.08.2018 (Maturity)

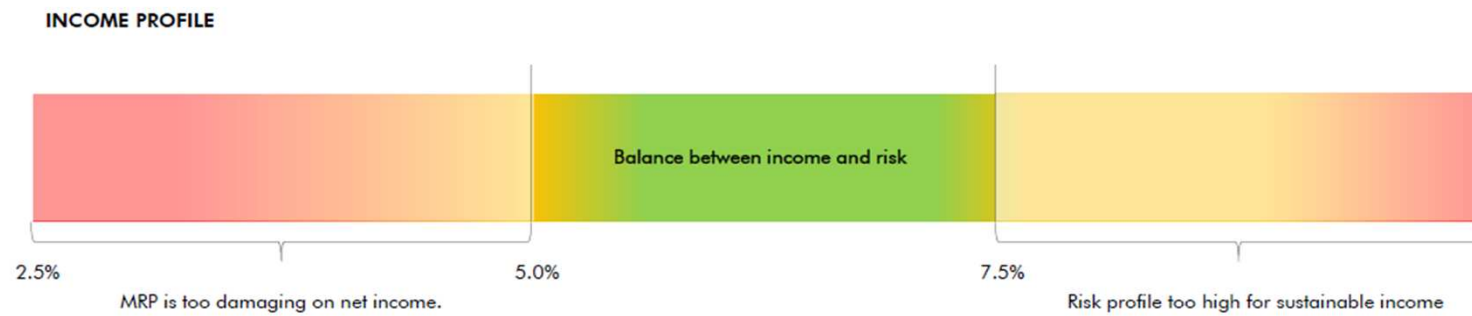


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| Supporting local services | | |





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 | 37.5 | 37.1 | 37.0 |
| DSG Preston | Property | 17.4 | 2.6% | 169.1 | 273.6 | 273.6 | 423.8 |
| Grafton Centre | Property | 10.8 | 1.3% | 37.1 | 66.5 | 86.1 | 86.1 |
| No1 One Trafford | Debt | 0.9 | 0.0% | 0.0 | 869.6 | 0.0 | 0.0 |
| City Centre Housing Dev | Debt | 60.8 | 2.7% | 0.0 | 372.7 | 1,644.1 | 1,860.2 |
| Portfolio Total | | 102.1 | 1.8% | 340.4 | 1,619.9 | 2,040.9 | 2,407.0 |
| 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) | 12.6 | 0.0% | 0.0 | 0.0 | 0.0 | 0.0 |
| Bruntwood - Ksite | Debt (supporting regeneration) | 12.6 | 2.9% | 0.0 | 307.4 | 343.2 | 343.6 |

*Average ROI based on 10 year period for property acquisitions
Average ROI for debt investments is an annualisation of total investment return

QUESTIONS?

