

TRAFFORD BOROUGH COUNCIL

Report to: Executive
Date: 14 October 2019
Report for: Decision
Report of: Executive Member for Finance and Investment and the Corporate Director of Finance and Systems

Report Title

Executive's Draft Revenue Budget Proposals 2020/21 & MTFS 2021-23

Summary

This report sets out the Executive's updated 3 year budget strategy proposals and draft revenue budget proposals for 2020/21 and Medium Term Financial Strategy (MTFS) for the period 2021-23.

The key summary of figures for the revenue budget, based on current estimates are:

- The draft overall budget movement for 2020/21 is an increase in the net budget of £2.08m or 1.22%, from £169.94m to £172.02m.
- The budget gap for the three years before applying any of these draft budget proposals is currently estimated to be £31.67 million comprising:
 - £27.90m of budget pressures
 - £3.77m of funding pressures
- This report presents a draft set of budget proposals to balance the planned budget in 2020/21, which in line with our three year strategy, contribute towards closing this budget gap by £15.69m via a mixture of measures:
 - Additional funding
 - New savings and income generation
- These proposals will now form the basis of consultation with members of staff and, where required, the general public and are therefore subject to change; the draft proposals are also subject to review by the Scrutiny Committee.
- It should be noted that if all the budget proposals in this report are implemented there currently still remains a residual budget gap of £15.98m, comprising:
 - £0.72m in 2020/21,
 - £9.91m in 2021/22, and
 - £5.35m in 2022/23

Final decisions will be taken by the Executive after taking into consideration further proposals to address the gap, all relevant matters and feedback, at which time a proposed budget will be put to full Council for approval on 19 February 2020.

	If the budget for a directorate is to be exceeded, which will result in a call on reserves, the Executive will need to identify the impact on reserves and when they will be replenished.
Equality/Diversity Implications	Equality Impact Assessment to be carried out supporting the budget proposals as appropriate.
Sustainability Implications	None arising out of this report.
Resource Implications e.g. Staffing / ICT / Assets	Human Resources – any impact on staffing will be subject to consultation.
Risk Management Implications	The risks associated with each budget proposal have been assessed and further work will be undertaken before the final budget is presented to Executive in February 2020.
Health and Wellbeing Implications	Equality Impact Assessment to be carried out supporting the budget proposals as appropriate.
Health and Safety Implications	An impact assessment of each budget proposal to be carried out.

Other Options

The budget proposals included in this report assume an overall increase to the level of council tax of 3.99% in 2020/21 comprising an increase of 2% for the ‘adult social care precept’ to be earmarked for adult social care expenditure and 1.99% general increase in the ‘relevant basic amount’. An alternative option could be made to increase its ‘relevant basic amount of council tax’ above these levels, however this would exceed the referendum limits, which would mean a local referendum was required. Alternatively not increasing council tax by the level recommended in this report, subject to the final referendum level being notified in December, would increase the overall funding gap by up to £4.00m in 2020/21 which would mean further reductions to expenditure on council services were necessary.

Consultation

The report recommends that the draft and indicative proposals go forward for consultation (where necessary).

Reasons for Recommendation

To enable consultation with the public, businesses (s65 of the Local Government Finance Act 1992), stakeholders, staff and Scrutiny Committee to take place

Key Decision

This is a key decision currently on the Forward Plan: No

Finance Officer ClearanceGB.....
Legal Officer ClearanceDS.....

CORPORATE DIRECTOR'S SIGNATURE



.....
 To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.



TRAFFORD
COUNCIL

**Executive's
Draft Revenue Budget
Proposals 2020/21 &
2021-23 Medium Term
Financial Strategy**

14 October 2019

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**FOREWORD by the EXECUTIVE MEMBER for FINANCE and INVESTMENT
COUNCILLOR TOM ROSS**

I am pleased to present the Council's draft budget report for the period 2020/21 to 2022/23 which sets out our spending priorities across the revenue budget, capital programme and the Dedicated Schools Grant (DSG) budgets.

Setting local authority budgets is no easy task, particularly following ten years of funding reductions. Since 2010 savings of £145m have been made to council services which have placed an immense strain on our ability to provide those services within Trafford which our residents and communities deserve.

It is important to acknowledge that the UK Government in May 2010 projected a budget balance by 2015/16 as a result of their flagship austerity policy; a policy that has had a significant impact on local government finances. The Government austerity measures failed to achieve this outcome and local government does and is projected to, face further spending pressures over the next three years.

Politicising an economic crisis, as happened following the global financial crisis, has consequences. The consequences include the cuts to services we have witnessed over the past decade and growing demand pressures. As I write, the Council is also exposed to the short term uncertainty and long term consequences of Brexit which could have serious consequences on our revenue. This is further compounded when considering Trafford's expenditure on services is the lowest of any metropolitan district which limits our flexibility to address further cuts in funding.

Where it can the Council endeavours to spend resources locally and in 2018/19 49%, equivalent to £87m of our controllable expenditure, was spent within Trafford and I would like to thank colleagues at STAR Procurement for their work on promoting local spend.

We are also facing significantly increasing demands on our services, particularly adults and children's social care. Our population is projected to increase by around 10% to 260,000 over the next twenty years, a slightly higher rate of increase than the national projection of 9%. Reflecting the national trend, the highest rates of population growth will be seen within the older age groups. The number of people aged 65 and over is projected to increase by 42%, whilst those aged 85 and over will increase by 72% bringing even greater challenges to the health and social care system. This coupled with a growth in the number of children in care and those with special educational needs, places a great strain on this area of the budget which accounts for over half of our net expenditure.

In May 2019 we received the results of an Ofsted inspection of Children's Services and this has led to additional investment into the service in the current year and 2020/21 to address issues arising from the report and this is included in these budget plans.

In the summer a Ministry of Housing, Communities and Local Government Select Committee produced a timely report on the current state of local government finance, given the impact caused by the previous years of the austerity budgets, ahead of the Spending Round announcement on 4 September 2019. This, despite

only covering one year with the exception of school funding, announced some much needed support for local government, including £1bn of new social care funding and £700m for special educational needs provision. Whilst the Council's estimated share of the former will only go part way to meet our rising cost pressure it comes as a welcome measure to help balance our budget plans. At this stage, whilst not wholly certain given the political turbulence at a national level and potential for a general election in the short term, the funding provisions in this Spending Round have formed the basis of the budget projections in this report.

The Spending Round also announced the deferral until 2021/22 of the implementation of the Fair Funding Review, which will be used as the basis of distribution of local government resources nationally, and the reset of the business rate retention scheme; the latter being good news for the Council for 2020/21 particularly in view of the announcement to continue with the Greater Manchester 100% business rate retention pilot. Unfortunately this will mean there will be significant budget pressure in 2021/22 following the business rate reset due to the level of revenue from business rate growth in previous years which supports the budget currently.

The Local Government Provisional Settlement will be announced in December 2019 and this will give a clearer picture of the council's allocations and available resources for 2020/21.

Over the next few years there will be a number of issues which will have a direct and significant impact on the budget. The national Spending Review in 2021 will hopefully signal some reliable multi-year forecasts for local government which should help us plan the budget with more certainty. We also await the promised green paper on the future of social care should which should offer some solutions for our social care services and how they can be afforded in the future.

Over the summer the Executive and Corporate Leadership Team have developed a new Corporate Plan which describes the Council's vision and priorities for the borough and provides the framework for our financial strategy. In setting the budget close attention is placed on ensuring it aligns closely with the Council's priorities which in turn will help delivery of the Council's vision:

“Working together to build the best future for all our communities and everyone in Trafford”

We believe the seven strategic priorities are key to enabling Trafford residents, businesses and staff to thrive. Our priorities set out our aspirations for our people, place and communities, and how they can affect and improve their daily lives. Our people are our greatest resource. Through engagement with our staff we will create an environment for staff to grow and develop life-long skills and see the benefit of their contribution to the borough. These priorities are not just for the Council but for the whole community and have been shared with members of the Trafford Partnerships. In order to make the difference we want to make, we will need to work closely and effectively with partners, residents, businesses and communities to make this a success.

The Council is embarking on a journey to modernise the way we deliver services. We are aware of the increasing demands being put on council services across the country and we are no exception here at Trafford. Our customers have increasing expectations and they want a high quality service while we have to juggle these demands with less money. We have responded to these ongoing challenges by changing the way we do things, for example through collaborating with partners, improving efficiency and reducing spending where possible. However, we now need to do more if we want to be able to deliver our Corporate Plan and strategic priorities over the next three years and make Trafford a better place for everyone.

To help us achieve this we have started a programme of modernisation and remodelling of our services for the future. That means working smarter, collaborating with partners to help us deliver our corporate priorities, something we are already doing with the NHS locally through Trafford CCG, understanding the needs of our user groups in the long term and working with staff at all levels to tap into their expertise. Work is underway on our digital strategy and investing in new technologies that are available and this will continue as part of the modernisation approach.

We are talking to our staff about how they think we can improve the way we deliver services to meet the needs of a modern society - how we could be doing things differently and more effectively to help shape service areas for the next few years.

A number of workshops have been held on the budget, firstly to take stock of the overall budget position, the assumptions underpinning the financial forecasts and the extent of the funding gap over the next three years and then to develop proposals to address that gap.

Since the 2019/20 budget was approved by Council on the 20 February 2019 there have been a number of budget changes, with the overall gross budget gap for the next three years standing at £31.67m, before the inclusion of previously proposed savings and policy choice funding increases.

Updated Budget Gap	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Budget Gap after Feb 19 Savings and Policy Choice Funding Proposals	15,709	12,807	0	28,516
Reverse 2.99% General Increase in basic Council Tax	2,973	3,080	0	6,053
Reverse Contribution from Business Rate Smoothing Reserve	6,700	(6,700)	0	0
Reverse Contribution from Budget Support Reserve	600	(600)	0	0
Reverse Prior year Savings & Income programmes (Feb 19)	2,514	(1,852)	0	662
Gross Budget Gap before Feb 19 Savings and Policy Choice Funding Proposals	28,496	6,735	0	35,231

Budget Updates at Draft (Oct 19)				
Changes to Budget Assumptions	(3,348)	743	8,863	6,258
Changes to Funding	(12,192)	2,760	(392)	(9,824)
Revised Gross Budget Gap (Oct 19)	12,956	10,238	8,471	31,665

The 2020/21 revised gross budget gap is currently estimated at £12.96m, at the draft budget stage, this has been partially met from a combination of the following:

- Policy Choice Funding Increases amounting to £4.58 million, comprising
 - Continuation of the Adult Social Care Precept of 2% to generate £2.01 million
 - Increase in the basic rate of Council Tax of 1.99%, generating £1.97m
 - Use of budget support reserves of £0.6m
- Income generation and savings amounting to £7.66m, comprising:-
 - Income Generation of £4.88m :
 - Service Delivery Savings of £2.78m:

Summary of meeting the Revised Budget Gap	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Revised Gross Budget Gap (Oct 19)	12,956	10,238	8,471	31,665
Policy Choice Funding Proposals				
Adult Social Care Precept increase 2%	(2,010)	(2,188)	(2,327)	(6,525)
General Increase in basic Council Tax to 1.99% (subject to referendum level)	(1,968)	(1,986)	(2,083)	(6,037)
Contribution from Budget Support Reserve	(600)	600	0	0
Total Policy Choice Funding	(4,578)	(3,574)	(4,410)	(12,562)
Savings and Income proposals	(7,658)	3,242	1,290	(3,126)
Revised Budget Gap (Oct 19)	720	9,906	5,351	15,977

This leaves a balance of savings still to be identified of £720k before the budget for 2020/21 can be balanced and priority will be given to doing this before final budget proposals are presented to Council for approval in February 2020. The developing modernisation programme and the investment strategy are expected to help bridge this remaining gap.

Whilst the budget gap for 2020/21 is not significant in the context of the overall budget there remains a number of factors which will impact on the position before the final budget is agreed, including the performance against the current year budget which is facing pressure due to the rising costs in adult and children's social care and the provisional local government finance settlement.

The Investment Strategy continues to play a major role in helping to balance our financial plans. To date total investments, including commitments, of approximately £194m have been made on the outright acquisition of five income generating investment assets, two arrangements involving the provision of development and investment debt and proposals for the direct development of a number of sites in the borough. These initiatives are already delivering crucial additional revenue that is being used to support our budget plans and maintain public services. The capital programme includes a total budget of £400m for the Investment Fund, supported by prudential borrowing therefore if suitable opportunities can be identified within the remaining budget then this will allow the budget gap to be addressed. The Strategy is paying dividends and in 2019/20 net income of £2.6m is helping to support the budget; this rises to £6.44m in 2020/21, assuming that certain proposed acquisitions are finalised. Of this £6.44m, a good proportion is achieved from debt arrangements and it will be crucial to recycle these funds into new opportunities when those arrangements end.

The capital programme is still under review and firm proposals for 2020/23 will be brought back to Executive in February 2020.

Following the latest Spending Round much needed new resources have been promised to support our schools and high needs programme which will go some way to alleviating the pressures, particularly around special educational needs provision. Some of these resources will need to be focussed on investment in the service to make sure it becomes more sustainable in future years.

With a budget gap for the following two years of £15.26m, the size of the challenge remains significant. Despite suggestions from some in the UK Government it is clear the age of austerity is far from over. The situation is further compounded by the degree of uncertainty as a result of the Brexit situation. For that reason budget proposals will continually be developed, so that sufficient time is afforded to consider all budget options at an early stage.

Councillor Tom Ross

Executive Member for Finance and Investment

1. FINANCIAL BACKGROUND

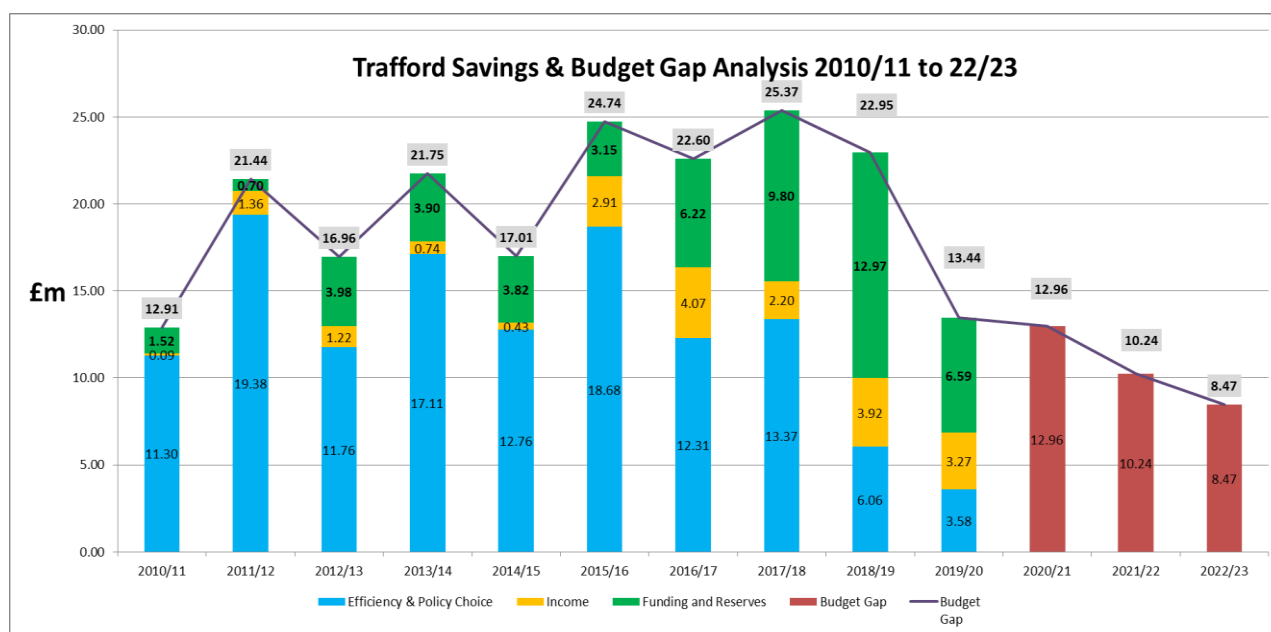
1.1 Background

1.1.1 Since 2010 the Government has reduced the funding for Local Government as part of its efforts to reduce the fiscal deficit. This equates to a 28.6% real terms reduction in an authority's spending power, taking into account council tax.

1.1.2 Alongside reductions in funding, local authorities have had to deal with growth in demand for key services, most notably adult's and children's social care; this demand is expected to continue. Other pressures have also been faced including higher national insurance contributions, inflationary pressures on goods and services, the apprentice levy and the National Living Wage.

1.1.3 In recent years the Government has provided some extra funding for social care by way of specific grant and combined with the introduction of the adult social care precept this has meant that the rates of reduction to overall funding have levelled since 2016/17.

1.1.4 This has meant that by 2020/21 the total value of funding gaps caused by the expenditure pressures and funding reductions since 2010/11 to 2019/20 is £199.1m. There is a further forecast gap for the next three year of £31.67m, of which £12.96m relates to 2020/21.



1.2 Spending Round 2020/21

1.2.1 The Chancellor announced the spending round on 4 September 2019 which included headline numbers for government departmental spending for 2020/21 and indicative three year allocations for schools. Whilst the plans provide local government with some useful numbers on which it can plan they

do not give any certainty in the medium term with a fuller spending review promised to be made in 2020. Specific funding allocations are yet to emerge and a multi-year spending review will be announced next year.

1.2.2 The main headlines announced in the spending round included:

- Departmental spending to increase by 4.1% in real terms, whilst keeping within the government's fiscal rules.
- Social Care Grants that local authorities received in 2019/20 will continue in 2020/21
- An additional £1bn of grant funding will be distributed for social care in 2020/21 plus a further 2% adult social care precept (estimated £500m).
- A real-terms increase in the Public Health and Revenue Support Grants
- Authorities will be able to increase the Band D council tax up to 2% for the basic element and a further 2% for the Adult Social Care precept.

1.2.3 Whilst further consultation is still awaited on the basis of distribution of the additional social care grant it is expected this will equate to additional social care funding of £5.175m in 2020/21 which will go some way to alleviate the spending pressures in this area. In addition the indexation of public health and revenue support grant is estimated to provide a further £451k of funding.

1.2.4 The Spending Round also announced a three year funding settlement for schools, High Needs and Early Years children. Nationally, additional funding provided will be £2.6bn in 2020/21, £4.8bn in 2021/22 rising to £7.1bn in 2022/23. It confirmed:

- An increase in per pupil funding for all schools in line with inflation in 2020-21 (1.8%) with a minimum per pupil amount of £3,750 for primary schools and £5,000 for secondary schools.
- Minimum rate per pupil for primary schools rising to £4,000 in 2021-22.
- Additional funding of £700m in 2020/21 for children with special educational needs
- Additional funding of £66m for Early Years
- Additional funding of £400m in 2020/21 for Further Education
- Confirmation that the government will continue to cover additional teachers pensions costs for schools
- Commitment to move towards a hard National Funding Formula for schools as soon as practical

1.2.5 Further details are awaited to allow modelling to take place to assess the impact for Trafford schools.

1.2.6 **Fair Funding** - The Ministry of Housing, Communities and Local Government (MHCLG) has announced a delay in the fair funding review for local government, which will include a complete review of the relative needs and funding required by different councils to fund their services. The new methodology will be now be effective from 2021/22.

1.2.7 **Business Rates** – Since 2017/18 Trafford has been part of the Greater Manchester 100% Business Rate Retention pilot and currently benefits from a

significant level of business rate funding and growth to support its budget. An announcement following the Spending Round has confirmed that the Pilot will continue in 2020/21 to the benefit of Trafford and the Greater Manchester area and that the full reset of business rates baselines, originally expected for 2020/21, being postponed until 2021/22. This is positive news for Trafford as any reset will put at risk the majority of the benefit the Council currently receives from business rates growth rewards. This potential reduction is factored into these projections from 2021/22.

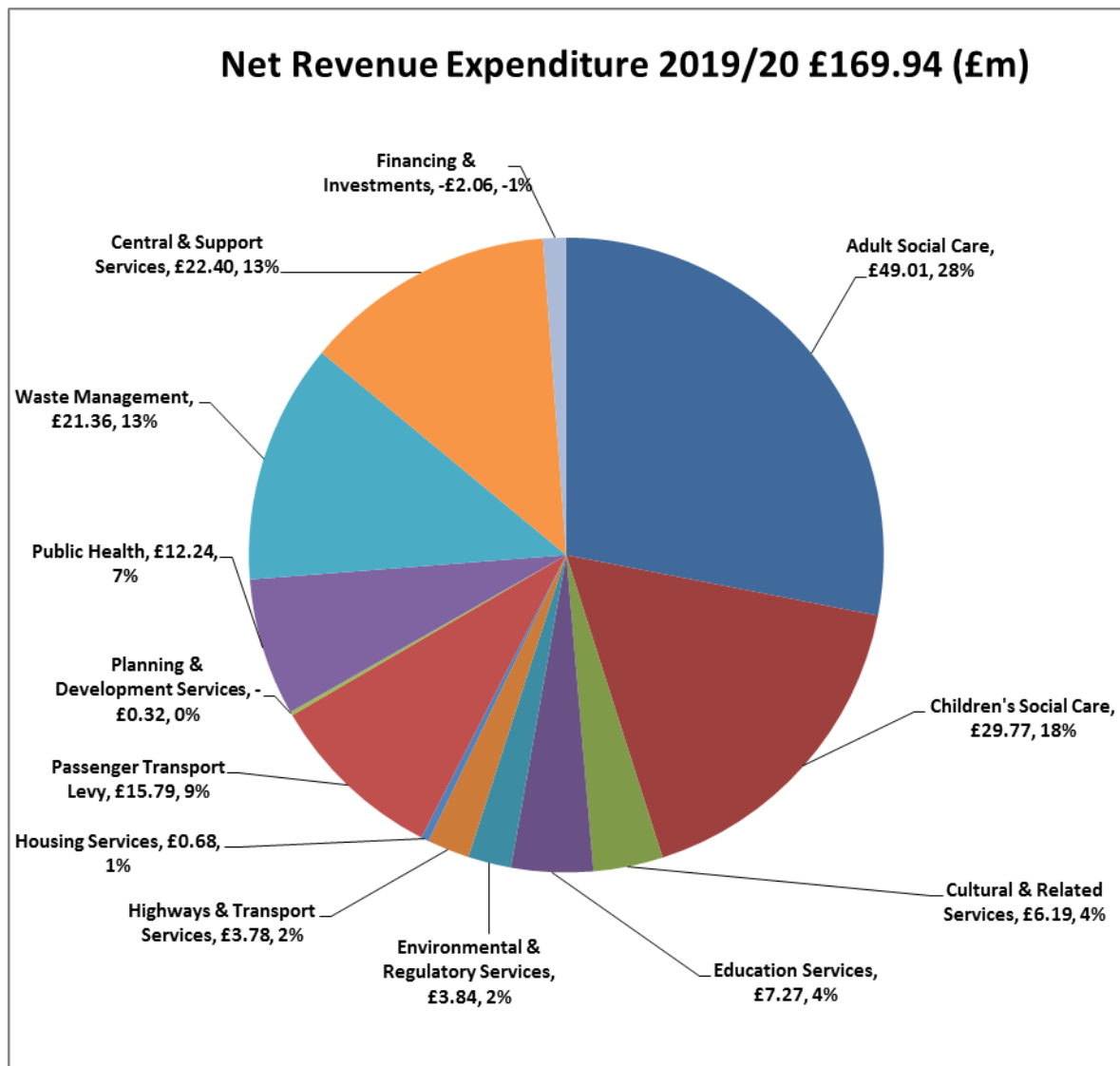
1.3 Summary

- 1.3.1 The Spending Round, coupled with the deferral of the fair funding review and reset of the business retention system, have provided some positive respite against the funding reductions encountered over the last ten years. Whilst they provide positive support for the budget for 2020/21 the impact of the business rate reset now planned for 2021/22 will reduce business rate funding by approximately £11m. This reduction in funding, together with an assumption around a government transitional protection scheme and growth in business rates post reset have been factored into the projections contained in this budget report.

2. 2019/20 BUDGET & MONITORING POSITION AS AT PERIOD 4 (JULY 19)

2.1 Budget 2019/20

2.1.1 The Council's current gross budget for 2019/20 is £471.93m, however this includes specific funding of Dedicated Schools Grant and Housing Benefit. The Council's net controllable budget agreed by Council in February 2019 was £169.94m.



2.2 Revenue Budget Monitoring 2019/20 Period 4 (July 2019)

2.2.1 Delivery of the 2019/20 budget is critical to ensure that budget forecasting for future years can be done on a sound basis. The period 4 (July 2019) revenue budget monitoring report forecasts an overspend of £2.955m as follows:

Table 1: Budget Monitoring results by Service	2019/20 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	35,761	36,946	1,185	3.3%
Adult Services	48,744	49,873	1,129	2.3%
Public Health	12,219	12,867	648	5.3%
Place	34,862	35,197	335	1.0%
People	3,189	3,268	79	2.5%
Finance & Systems	7,487	7,535	48	0.6%
Governance & Community Strategy	7,735	7,778	43	0.6%
Total Directorate Budgets	149,997	153,464	3,467	2.3%
Council-wide budgets	19,940	18,728	(1,212)	(6.1)%
Net Service Expenditure variance	169,937	172,192	2,255	1.3%
Funding				
Business Rates (see para. 20)	(66,489)	(65,789)	700	1.1%
Council Tax (see para. 16)	(99,500)	(99,500)		
Reserves	(2,624)	(2,624)		
Collection Fund surplus	(1,324)	(1,324)		
Funding variance	(169,937)	(169,237)	700	0%
Net Revenue Outturn variance	0	2,955	2,955	1.7%
Dedicated Schools Grant	134,718	134,417	(301)	(0.2)%

2.2.2 The current in-year variations contain a number of items with those notable items listed below which has been considered in determining the budget proposals for 2020/21:

- Children's Services – there are a number of pressures in the current year including the response to the recent Ofsted inspection which has led to additional investment into certain aspects of the service, the continuing rise in demand and increasing cost of children's placements and home to school transport and a rise in staffing costs due to pressure in administering current caseloads.
- Adult Services – whilst the Service is managing to maintain client numbers, the cost of individual care is placing a strain on in-year budgets caused by an increase in costs due to market conditions and also client complexity. Cost pressures are also being encountered on Public Health

Community Services and the service continues to strive to undertake measures in-year to control expenditure in this area.

- Place – staff vacancies are helping to offset a downturn in a number of income streams, most notably some town centre ground rent income.
- Central Services (People, Finance and Systems and Governance and Community Strategy) – historically these service areas have helped mitigate the pressures in the demand-led services due to various savings in staffing costs due to staff turnover and additional income but pressure is being felt in these areas.
- Council-wide budgets – additional income from the Investment Strategy and a release of some contingency budgets have helped mitigate the in-year monitoring position.

2.2.3 At this stage of the year a cautious view is taken when projecting budgets and a prudent level of contingency budget remains to cover the risks associated with demand led services, particularly for adults and children’s social care. Despite continuing efforts to control expenditure the Council is still seeing an increase in expenditure in these areas, therefore the budget plans for 2020/21 have been bolstered by additional investment in the following areas, which is in addition to the base budget assumption for demographic growth, national living wage and other inflationary pressures for the Children’s and Adult Services of £2.5m and £5.9m respectively:-

- Children’s Services £1.9m – to reflect a requirement to invest in the service to accommodate the required improvements following the Ofsted inspection and increasing cost of placements and home to school transport.
- Adult Services £0.5m – to reflect the rising cost and complexity of client needs

The combined total investment in Children’s and Adult’s Services in 2020/21, including assumptions around national living wage and other inflationary increases, will be £10.8m, consisting of £4.4m and £6.4m respectively.

2.2.4 This position will be considered further before final budget proposals are brought back to Executive in February 2020.

3. BUDGET PROCESS

3.1 Budget Approach 2020/23

3.1.1 To put the budget process into context it is useful to understand the size of the overall budget.

3.1.2 The gross revenue expenditure of the Council in 2019/20 is £472m and comprises:-

- Gross revenue budget £260m (£169.94m, net of specific grants and fees and charges income);
- Schools (Dedicated Schools Grant) £143m (excluding academy schools);
- Housing Benefits £69m.

3.1.3 In addition the Council has a capital programme of £262m in 2019/20 (including the Asset Investment Fund) which covers the cost of acquisition of new assets and major maintenance and improvements of the Borough's infrastructure.

3.1.4 In setting the budget close attention is placed on ensuring it aligns closely with the Council's priorities which in turn will help delivery of the Council's vision:

“Working together to build the best future for all our communities and everyone in Trafford”

3.1.5 Partnerships and collaboration will underpin the approach across Trafford and, using a place based approach, the Council will work together with partners to deliver co-ordinated support that empowers the individual, makes the most of its assets and focusses on prevention. It will start from a basis of what people can do, not from what they can't do, and this will mean that it can achieve things it can't do alone and ensure that it keeps improving the lives of our residents.

3.1.6 The Council has identified seven strategic priorities that it believes are crucial to enabling Trafford residents, businesses and staff to thrive. These priorities set out the aspirations for our people, place and communities, and how they can affect and improve their daily lives.



Building Quality, Affordable and Social Housing

Trafford has a choice of quality homes that people can afford



Health and Wellbeing

Trafford residents health and Well-Being is improved and Reducing Health Inequalities



Successful and Thriving Places

Trafford has successful and thriving town centres and communities



Children and Young People

All Children and Young People in Trafford will have a fair Start



Pride in Our Area

People in Trafford will take pride in their Local Area



Green and Connected

Trafford will maximise its Green Spaces, Transport and Digital Connectivity



Targeted support

People in Trafford will get support when they need it most

3.1.7 Members of the Executive and the Corporate Leadership Team have held a number of budget workshops over the last few months to review the overall budget position and to ensure it supports the delivery of outcomes related to each priority and have identified five key themes around which these budget proposals have been developed:-

- **Fundamentally Reshaping our Services** – through a series of service modernisation workshops with Council staff to create a Council which is ready for the challenges of the future. This approach will bring different capabilities and experiences together from across the Council, which will increase resilience. Services will be digital by design, exploiting opportunities provided by existing and emerging technology to deliver significant efficiencies and be a better experience.
- **Be More Commercially Minded** – To maximise commercial opportunities by continuing the investment strategy. Fundamental to Trafford is the Traded Services offer and this will be reviewed to ensure it meets customers future needs. This will also provide for a mixed economy of service provision and regularly test the market to ensure value for money.
- **Delivering More of Our Own Services** – To ensure the Council continually maximises the Trafford Pound, making sure that the services delivered are efficient and effective.
- **Health and Social Care Integration** - Using a place based approach, the Council will work together with partners, to deliver co-ordinated support that empowers the individual, makes the most of its assets and focusses on prevention. The focus will be on what people can do to support themselves, not from what they can't do, meaning more can be achieved by working in partnership to improve the lives our residents. Aspirations are to develop the existing partnership arrangements, focussing on strong neighbourhoods recognising the differing needs and treating each community equally.

- **Other Corporate Efficiencies** – Will be achieved by continually challenge activity to improve performance, reduce costs, invest for the future and generate income to ensure long term sustainability.

3.1.8 A full review of all assumptions used in developing the budget plans has been undertaken, to ensure they are still relevant and up to date, including a review of all continuing savings programmes. To bridge the budget gap for 2020/21 a number of new savings proposals have been identified and business cases developed.

3.1.9 Whilst there still remains a small gap in 2020/21 it is expected that a further review of service savings initiatives will identify further opportunities to close this; albeit a further review of all assumptions, including the in-year monitoring position will be undertaken before setting the final budget for 2020/21 in February 2020.

3.2 Budget & Staff Consultation

3.2.1 Proposals in this report may require consultation with the public and businesses, with the form of consultation to be developed before the end of October 2019.

3.2.2 Details on these draft budget proposals will be made available on the Council's website via the 2020/21 budget pages.

3.2.3 Where any budget proposal has the potential to affect staff there will be a requirement to consult separately internally through routine staff consultation arrangements.

3.3 Scrutiny Review

3.3.1 A Scrutiny review will be held on 13 November to review the funding gap in the Council's Medium Term Financial Plan (MTFP), the assumptions underpinning the overall gap and the plans for budget consultation. In addition the Leader will present the 2020/21 draft budget proposals contained within this report, which will enable Scrutiny members to review the budget proposals and feedback any comments in January 2020.

4. BUDGET UPDATES & PROPOSALS

4.1 This section identifies:-

- The revised funding gap for 2020/21 and later years.
- The draft set of budget proposals to address the budget gap.

4.2 Updated Budget Gap

4.2.1 The MTFs position reported to Council in the February 2019 Budget Report showed an overall budget gap for 2020/21 and 2021/22 of £28.52m. If the proposed increase in Council Tax, prior year savings programme and use of reserves are excluded, this increases the underlying budget gap to a gross figure for 2020/21 and 2021/22 to £35.23m.

4.2.2 Since February the Medium Term Financial Plan has been updated to include the financial year 2022/23, along with changes to cost pressures and non-policy choice funding for 2020/21 and 2021/22. These changes have resulted in the budget gap over the next three years reducing from £35.23m to £31.67m and the table below summarises these budget movements with a full subjective breakdown provided in Annex B.

Table 2: Budget Movements	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	Total (£'000)
NET BUDGET GAP (Budget Feb 19)	15,709	12,807	0	28,516
Reverse 2.99% General Increase in basic Council Tax	2,973	3,080	0	6,053
Reverse Reserve Contribution	7,300	(7,300)	0	
Reverse Prior year Savings & Income programmes (Feb 19)	2,514	(1,852)	0	662
Gross Budget Gap before Feb 19 Savings and Policy Choice Funding Proposals	28,496	6,735	0	35,231
Movements in Budget Assumptions :				
Additional Social Care Resource (Spending Round Sept 19)	(5,175)			(5,175)
Children's Services Investment OFSTED	1,000			1,000
Demographic Pressure Children	500		1,000	1,500
Children's Services Salary Costs (P4 pressures)	300	0	0	300
Home to School Transport	100	0	0	100
Demographic Pressure Adults	500		1,500	2,000
Transformation Team Cost	1,000	0	0	1,000
Public Health Pressures	981	0	0	981
Homecare Sustainability (review and re-phase)	(2,158)	0	1,000	(1,158)
Removal of Traded Services Subsidy	(483)	(122)		(605)
Pay and Pension All Service Areas	217	(413)	1,249	1,053
Contractual Inflation	145	139	2,124	2,408

Maintain Level of provision for Delayed Discharge	200	700	0	900
Stretford Mall Ground Rent Income Adj	200	0	0	200
Reduction in Target income at Sale Waterside Arts Centre	100	0	0	100
Temporary loss of car park income at sites under development	350	(30)	(320)	0
Living Wage	(50)	(50)	1,500	1,400
General Inflation	(176)	23	315	162
Waste Levy	(436)	(4)	500	60
Reduction in General Contingency	(250)	0	0	(250)
Indexation of Better Care Fund	(580)	0	0	(580)
Removal of Public Health Contingency	(1,000)	0	0	(1,000)
Loss of Income (Liability Orders)	250	0	0	250
Increase in Leisure Centre Risk Reserve	300	0	0	300
Increase cost of Microsoft Office 365	300	0	0	300
Treasury Management Interest Rates	0	500	0	500
Other changes in Budget Assumptions	517	0	(5)	512
Movements in Budget Assumptions	(3,348)	743	8,863	6,258
Movements in Funding :				
Business Rate Reset deferred until 21/22	(10,814)	10,814	0	0
Transitional Protection on Business Rate Reset		(5,804)		(5,804)
Transitional Protection Taper		1,453	1,452	2,905
Distribution of National Rates Growth		(3,900)		(3,900)
Business Rate Baseline Indexation			(745)	(745)
Assumed Rates Growth Post Reset		(1,000)		(1,000)
Council Tax – Release of 19/20 estimated surplus	(687)	687		0
Council Tax – Release of 18/19 Surplus in excess of estimate	(500)	500		0
Indexation of Public Health and Revenue Support Grants	(451)			(451)
Changes to assumptions on Council Tax Base	260	10	(1,099)	(829)
Movements in Funding	(12,192)	2,760	(392)	(9,824)
TOTAL BUDGET MOVEMENTS	(15,540)	3,503	8,471	(3,566)
REVISED BUDGET GAP (Oct 19)	12,956	10,238	8,471	31,665
ACCUMULATIVE BUDGET GAP (Oct 19)	12,956	23,194	31,665	

4.3 Budget Assumptions and Funding

4.3.1 Budget pressures : £27.9 million

An overall increase in cost pressures of £27.9m over the next three years, the main features are detailed below with a summary of the base budget

assumptions shown in Annex A and a Subjective Analysis is shown in Annex B:

- Pay: includes a core provision for a 2% pay award. An impact of £4.74m over three years.
- Living Wage: an allowance of £4.54m over the next three years has been provided, which covers projected increases in pay, for external care staff, based on the National Living Wage. The Council is working towards the real living wage but it will take time to get there.
- Inflation: relates to non-staffing budgets and had included a general allowance of 2% per annum over the three years. A review of our inflation assumptions in 2020/21 will require inflation to be absorbed within existing budgets. However, a figure of £0.41m has been included for the subsequent two years. Other contractual inflation has been assumed totalling £6.62m over the next three years.
- Levies: includes allowances for waste disposal, transport and Environment Agency (flood defence) totalling £1.23m.
- Demography: an annual budget increase to reflect the increasing number of adults & children requiring social care of £8.5m over the next three years.
- New Income including Grants of £(5.40m) including an allowance of £(3.84)m for the Council's share of the additional social care funding of £1.0bn the Government is providing, continuation of Adult Social Care funding from 2019/20 of £(1.34m) and £(0.58)m indexation of the improved Better Care Fund.
- Treasury Management: includes investment interest and borrowing costs, a reduction of £0.1m, which includes a pressure in 2021/22 due to forecast interest rates remaining low for a longer period due to the current economic uncertainties.
- Other: totalling £7.36m over three years, includes cost pressures of £1.0m relating to additional resources added following the recent OFSTED inspection, £1.0m in Children's and Adult's Services after the loss of transformation funding, £0.98m pressures within Public Health, £1.0m to baseline the costs of our Transformation Team and removal of £1m Public Health contingency held within Council Wide budget. Also in 2020/21 includes reversals of prior year savings which were either one off in nature or coming to an end relating to Housing Benefit overpayment recovery £0.5m and Pension Fund advanced payment saving £0.76m and allowances for other minor service pressures and contingency items.

4.3.2 The development of these budget proposals have been undertaken in a period of significant uncertainty and will inevitably change between now and the final budget proposals which will be presented to Council in February 2020. At this stage work is progressing on two areas which could impact on

future budgets. These include a full review of caseloads in Children's Services and an assessment of options around the One Trafford contract with Amey. At this stage the assumption is that these will have a neutral impact on the budget.

4.3.3 Funding Pressures : £3.77m

Using the 2019/20 funding of £169.94m as the baseline, this is estimated to reduce to £166.17m over the next three years, resulting in a funding pressure of £3.77m. The main feature being the assumptions surrounding the reset of the Business Rates Growth Pilot which was scheduled for 2020/21 but has now been deferred until 2021/22 and the assumptions on Council Tax base as detailed below:

- **Council Tax:** The total estimated increase in income over the three year period is £1.437m. This comprises a 0.75% allowance in 2021/22 and 1% per annum for the following two years estimated growth in the number of properties. The 2021/22 figure has been marginally reduced to reflect a higher than expected take up of property discounts being experienced in the current financial year. These assumptions on growth will increase the Council Tax base in each of the next three years and generate approximately £0.75m in 2020/21 and £1.0m per annum in the following two years.
- The release of prior years' accumulated surplus will contribute an additional £1.187m on a one off basis in 2020/21.
- **Business Rates:** The total estimated reduction in Business Rates over three years is estimated at £2.76m. This figure includes a number of assumptions relating to the reset of the baselines and the transitional protection the Government may offer. In summary of £13.2m, loss from the reset of Business Rates and the one off distribution of prior year surplus in 2019/20, offset by an assumed reset transitional protection scheme. We are assuming there will be a protection scheme post reset which protects, on a tapering basis, on the entirety of our benefit including the 100% pilot retention scheme. In addition we estimate that following a national reset £1.3bn of business rate growth will then be redistributed through the new fair funding formula; this represents approximately £3.9m of additional funding for the Council based on current distribution methodologies. Indexation on our Baseline Funding and an assumed post reset growth will generate £2.6m and £1m respectively. Full details of which are shown in Annex C with a summary in the table below.
- **Budget Support Reserve:** In 2019/20 there was a one-off contribution from the reserve; the removal of this creates a funding pressure in 2020/21 of £2.624m

Table 3: Benefit from Business Rates	2019/20 100% PILOT £000	2020/21 100% PILOT £000	2021/22 £000	2022/23 £000
Core Baseline Funding	35,834	36,551	37,282	38,028
Revenue Support Grant	5,299	5,405	5,405	5,405
Public Health Grant	12,064	12,402	12,402	12,402
Total Baseline Funding Level (BFL)	53,197	54,357	55,089	55,834
Business Rates Benefit of Pilot	13,292	10,906	84	86
Transitional Protection on Reset			4,359	2,906
Redistribution of National Scheme			3,900	3,900
Assumed Growth Post Reset			1,000	1,000
Total Benefit from Business Rates	66,489	65,263	64,433	63,727
Yearly Change				
Change in BFL		1,160	731	745
Change in Business Rates Pilot Benefit		(2,386)	(10,821)	2
Transition on Reset			8,259	(1,453)
Assumed Growth Post Reset			1,000	0
Yearly Change		(1,225)	(831)	(706)

Total reduction in Business Rates -£1.225m-£0.831m-£0.706m = -£2.762m

4.4 Closing The Revised Budget Gap

4.4.1 The table below shows the draft budget position following the latest round of budget proposals and policy choice funding updates. A full detailed listing of savings and income proposals can be found in Annex D.

Table 4: Summary of the Budget Proposals	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Revised Gross Budget Gap (Oct 19)	12,956	10,238	8,471	31,665
Policy Choice Funding Proposals				
Reinstate Social Care Precept increase 2%	(2,010)	(2,188)	(2,327)	(6,525)
General Increase in basic Council Tax to 1.99%	(1,968)	(1,986)	(2,083)	(6,037)
Contribution from Budget Support Reserve	(600)	600	0	0
Total Policy Choice Funding	(4,578)	(3,574)	(4,410)	(12,562)
Savings and Income proposals *	(7,658)	3,242	1,290	(3,126)
Revised Budget Gap (Oct 19)	720	9,906	5,351	15,977

* The Savings and Income proposals for 2020/21 include those brought forward from February 2019. Full details of all Savings and Income proposals are shown in Annex D.

4.4.2 Income Proposals £4.88m :

Budget proposals include additional income of £4.88m for 2020/21, including £0.847m proposed in February 2019 and a further £4.03m identified since. Full details are provided in the Savings Schedules in Annex D and a summary is shown below:

- £4.03m additional income from the Property Investment Strategy. A substantial part of this income, £2.68m, relates to two short term developer loans which will be repaid in full during the following two financial years. A further £1.93m from investments made in 2018/19 is also due to drop out in 2021/22.
- £200k additional treasury management investment income.
- £144k income from a review of car parking enforcement charges
- £500k additional income from existing investments
- £15k of other income

4.4.3 Savings Proposals £2.78m

The latest round of budget proposals generated new savings proposals of £1.11m in 2020/21; this is in addition to the existing savings proposed of £1.67m proposed in February 2019 and includes those listed below, with a full detailed listing provided in Annex D:

- £760k from savings in pension costs by making a cash advance of three years' worth of contributions
- £620k from a homecare pilot
- £315k from a review of children's placements
- £500k from Person Centred and LPS/Portal (Reshaping)
- £122k from a review of Supported Living
- £250k reduction in general running costs
- £80k from moving billing services on line
- £50k savings in insurance premiums
- £100k pressures due to the reversal of the use of reserves in 2019/20
- £174k of other efficiency and policy choice savings

4.4.4 Additional Funding £4.58m:

Council Tax: although the referendum principles and the deemed 'excessive' amount are unknown until the final Local Government Finance Settlement, the Spending Round indicated the following principles are likely to be implemented, which the Council proposes to adopt in 2020/21 :

- Reinstatement of a social care precept of 2% (subject to Government Consultation). This will generate £2.01m in 2020/21.
- 1.99% general increase in the 'relevant basic amount', this will generate £1.97m in 2020/21.

- Use of Budget Support Reserve of £0.6m as previously agreed in February 2019.
- 4.4.5 In summary, there are a total of £7.658m of income and savings proposals (including the impact of continuing programmes from 2019/20).
- 4.4.6 Based on current assumptions and proposals the 2020/21 net budget will increase by £2.08m or 1.22%, from £169.94m to £172.02m.
- 4.4.7 A full Subjective summary providing a breakdown of the 2020/21 net budget can be found in Annex E and an Objective summary below.

Table 5: The 2020-23 Budget	October 2019		
Budget	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)
Service:			
Children's Services	39,402	41,102	42,785
Adult Services (incl. Public Health)	60,524	65,364	70,507
Place	36,826	38,329	39,563
Central Services (*)	19,359	20,010	20,795
Total Service Budgets	156,111	164,805	173,650
Council-wide Budgets	15,905	19,743	21,051
Net Budget	172,016	184,548	194,701
Funding:			
Council Tax	(105,432)	(109,489)	(114,998)
Business Rates: Local Share	(150,742)	(153,757)	(156,833)
Business Rates: Tariff Payment	96,385	98,669	100,999
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	(10,907)	(9,345)	(7,892)
Funding	(170,696)	(173,922)	(178,724)
Movement in Reserves			
Smoothing Reserve	(600)	0	0
Movement to/(from) Reserves	(600)	0	0
Cumulative Budget Gap	720	10,626	15,977
Annual Budget Gap	720	9,906	5,351

(*) Central Services consists of the Directorate's of People, Finance and Systems and Governance and Community Strategy

5. ROBUSTNESS, RISKS & RESERVES

5.1 Robustness and Risks

- 5.1.1 The law requires that the Council sets a balanced and robust budget, which is sufficient to meet its legal obligations, and then its aspirations. This requires all plans to be costed, forecasts and estimates to be checked for reasonableness, and risks to be assessed across the many varied services the Council provides. This also includes an assessment for emergencies, severe weather and other service and strategic risks.
- 5.1.2 Robustness does not guarantee that all possible eventualities are identified, or that all budget estimates are exact. Actual income and expenditure is likely to vary from the established budgets, but in the round these will compensate, and the approved budget need only be sufficient to meet overall expenditure requirements.
- 5.1.3 In August 2019, the a new reserves policy was developed which set out the methodology for the creation, classification, review and approval process for the use of reserves to enable a more corporate approach to be taken, ensuring reserves are aligned to the Council's priorities over the medium term.
- 5.1.4 Under the Local Government Act 2003, the Corporate Director of Finance and Systems is required to prepare a report, for use when the Council is deciding its annual budget and council tax, on the robustness of the budget and the adequacy of the Council's reserves. It is for this reason that it is recommended that this Reserves Policy is reviewed on an annual basis ensuring the judgements on the adequacy of reserves are informed and remain appropriate particularly in relation to the potential impact of new risks and financial challenges faced by the Council. The key features of the revised policy are set out below.
- 5.1.5 In completing the annual review of the Council's Reserves Policy the following will be considered:
- The rationale for holding each reserve;
 - Whether the approved commitments for the use of each reserve are still needed;
 - Whether the level of the Council's reserves remains appropriate to provide resilience against the financial risks and challenges facing the Council;
 - Whether the existing reserves need to be reclassified to meet the Council's corporate and strategic objectives over the MTFP period;
 - Whether any new reserves need to be created to meet the Council's corporate and strategic objectives going forward; and
 - The use of the Council's outturn surplus to replenish existing reserves and/or create new reserves.

5.2 Classification

For ease of management, reserves have been grouped into seven categories as follows:-

- **Budget Resilience Reserves** - earmarked reserves linked to the financial resilience of the Council, for example being able to respond to unexpected demand pressures
- **Strategic Priority Reserves** - earmarked reserves linked to the Council's priorities over the medium term financial plan
- **Smoothing Reserves** - established to reduce or smooth out volatility in the revenue budget where normal operating expenditure is not always similar year-on-year, for example to dampen variations to the Waste Levy
- **Corporate Reserves** - statutory and ring fenced reserves
- **Reserves Linked to Service Area Priorities** - earmarked reserves linked to the Council's transformational change and service area priorities
- **Capital Reserves** – consist of capital receipts, grants and contributions which can only be used to fund capital expenditure and are all allocated to support the current capital programme. These will not be considered as part of the Reserves Policy.
- **Schools Reserves** - represent the carry forward balances of individual school surpluses and deficits along with the accumulated balance of DSG grant. Individual school balances will not be considered as part of the Reserves Policy.

5.3 Balances

5.3.1 The Council usable reserves at 31st March 2019 stood at £72.35m, of which £49.80m relates to Earmarked revenue reserves as shown below, along with their projected usage over 3 years including the current financial year.

Table 6 :	Opening Balance 1/4/19	19/20	20/21	21/22
Usable Reserves	£m	£m	£m	£m
Budget Resilience	21.86	16.12	15.52	15.52
Strategic Priority	7.55	5.41	4.78	3.87
Smoothing	3.47	2.81	2.38	2.24
Corporate	2.52	0.83	0.71	0.71
General Reserve	7.00	7.00	7.00	7.00
Service Area Priorities	7.40	0.77	0.36	0.00
Earmarked Reserves	49.80	32.94	30.75	29.34
Capital Related Reserves	11.99	11.26	8.04	5.90
School Related Reserves	10.56	10.56	10.56	10.56
Total Usable Reserves	72.35	54.76	49.35	45.80

The balance and proposed commitments against each reserve are shown in detail in Annex F and the following paragraphs summarise the salient features of the main reserves.

Budget Resilience - Budget Support

This reserve was established in 2015/16 to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term. Each year the Council faces unavoidable base budget pressures relating to pay, general inflation and demographic growth of approximately £9m, which is offset to the tune of £3m by an assumed level of growth in Council Tax, leaving a net budget pressure of approximately £6.0m. It is recommended as a minimum that the budget support reserve be maintained at a level of 50% of the net pressure. This will bring the Budget Support Reserve to a figure of £2.99m. This balance is after taking account of contributions of £2.6m to support the 2019/20 budget and a further £0.6m to support the 2020/21 draft budget.

Budget Resilience - Manchester Airport Dividend Reserve

This is a reserve set aside in the event of an economic downturn or other event which affects the performance of the Airport and future dividends. An amount equivalent to 50% (£2.55m) of the 2018/19 income level has been set aside. This will need to be reviewed annually to reflect any changes in the trend in Airport Dividend income in future years.

Budget Resilience - Business Rate Risk Reserve

This reserve was established in 2017/18 to hold the surplus funds generated from the Business Rates Growth Pilot and amounts redistributed from the GMCA. It was designed to cover volatility in the fluctuation of business rates and provide a cushion when the business rates system is reset. The balance at the end of 2018/19 stood at £8.78m and a figure of £2.1m is expected to be drawn down to meet the in-year budget pressures as stated in the Period 4 monitor. This will leave a balance of £6.7m at the end of the current financial year and it is recommended that this reserve is maintained at the current levels until there is certainty regarding the impact and timing of the review of business rates.

Strategic Priority - Strategic Investment Fund Risk Reserve

Each strategic property investment business case includes an amount to be set aside to cover any unexpected circumstances, such as lost rental income or a delay in any redevelopments. This reserve will accumulate a sufficient balance over a period of time to absorb these risks. The level of this reserve will be reviewed annually to reflect the balance of risk on the investment portfolio. It is anticipated to stand at £3.1m by 2021/2022.

Strategic Priority - Transformation and Transformation Match Funding

Monies allocated from Greater Manchester Health and Social Care Partnership for the transforming of health and social care services. This money can only be used on the activities that were laid out in the

Transformation programme and some of this money will be allocated to the CCG for their share of programme costs. There was a balance of £4.2m at 31st March 2019.

Strategic Priority - Leisure Centre Refurbishment

This reserve was created to absorb the risks associated with the Council's leisure centre redevelopment plans. The potential risks include such items as, underwriting the reduction in operational income during the rebuilding phase, variations in build costs, and changes to assumptions on interest and inflation rates. It is anticipated that an amount of £1.8m will be required over the period 2019/20 to 2023/24 accumulating at approximately £0.350m per annum. The balance on the reserve is expected to stand at £0.67m by the end of 2019/20.

Strategic Priority - Children's Action Fund

A new reserve of £1.5m was established in 2019/20 for investment in Children's Services following the recent OFSTED inspection. It is anticipated that this will be drawn down during 2019/20 and 2020/21. The reserve will be time limited and it is anticipated that any unspent resource will be realigned during the annual review.

Corporate Reserves - General Reserve

The Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure. In February 2019, Council agreed to set the minimum level of the General Fund Reserve at £7.00m as recommended by the Corporate Director of Finance and Systems. The level of the General Reserve will be reviewed formally for consideration by Council as part of the 2020/21 budget report.

Corporate Reserves - Non Domestic Rates Reserves

This group consists of the Non Domestic Rates Deficit Reserve and the Levy Reserve and is used to hold the Council's share of the collection fund deficit and the timing differences between accounting for and paying the levy on business rates growth. The reserves held a balance of £1.6m at the end of 2018/19 are fully committed and not available for any other purpose and will not form part of the regular reviews.

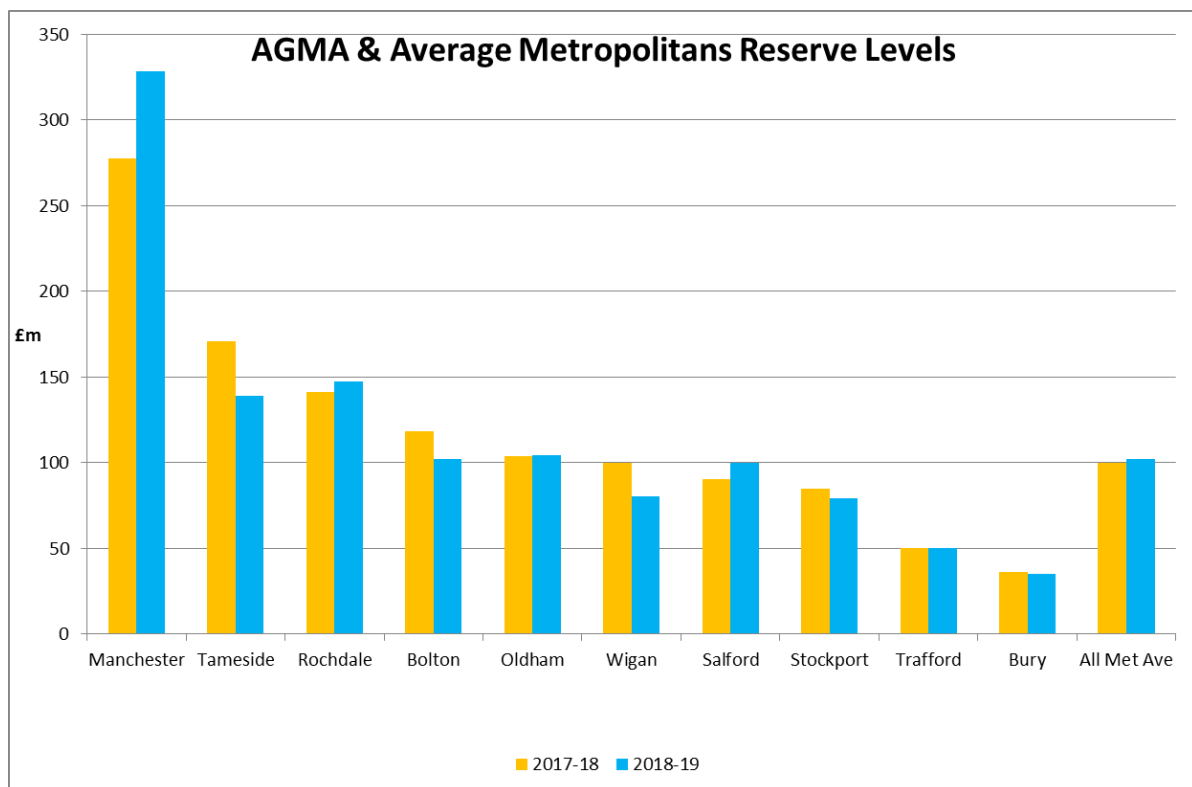
5.4 Reserves Linked to Service Area Priorities

- 5.4.1 The rationale for these reserves is to provide funding to deliver Service Area priorities outside of the MTFP which are largely one off in nature or the timing of delivery cannot be determined accurately.

The revised Reverses Policy clarifies that the commitment to create, review and spend these reserves will need to be supported by Corporate Leadership Team as and when required throughout the year in order to confirm that they remain in line with the Council's broad strategic priorities. As such, details of these reserves are now included within the regular budget monitoring cycles throughout the year. Details of each reserve balance and commitment within this category is shown in Annex G.

5.5 Using Reserves to Support the Budget

- 5.5.1 Balancing the annual budget by drawing on Earmarked reserves may be viewed as a legitimate short-term option but it is not prudent for these reserves to be deployed to finance recurrent expenditure. Holding these types of reserves is primarily to assist in cushioning the effects of financial shocks and aids resilience.
- 5.5.2 It should be noted that the Council has significantly lower levels of reserves than its neighbours and therefore any decision around the use of Earmarked reserves to support its budget decisions cannot be taken lightly.
- 5.5.3 The level of Earmarked reserves the Council holds is in part reflective of the past funding levels of the Council in comparison to its need to spend. This means that, as the lowest funded Council in Greater Manchester, it has accumulated one of the lowest levels of Earmarked reserves.



Data source: National Statistics: Local authority revenue expenditure and financing England: 2018 to 2019 individual local authority data - outturn: [Revenue Outturn \(RO\) 2018-19](#)

- 5.5.4 It is considered that the level of reserves held by the Council provides sufficient robustness to absorb any major financial risks over the medium term, as well providing the flexibility to assist in the development of our strategic priorities. In summary, a balance of £0.6m has been earmarked to support the 2020/21 draft budget.

6. TRANSFORMATION FUNDING

6.1 Background

6.1.1 The Trafford system was awarded £22m in October 2017 from the Greater Manchester (GM) £450m Transformation Fund delegated to Greater Manchester Heath & Social Care Partnership (GMHSCP) by NHS England.

6.1.2 This was to help secure a sustainable health and social care economy by 2021, in order to build a strong foundation for delivery of Trafford's vision for 2031. The investment aims to put in place:-

- A new model of care for community health, primary care and social care services, to underpin Trafford's Local Care Alliance (LCA) which will also be established, designed and developed.
- Coordinated care for people who are at risk of developing conditions, or exacerbating existing conditions, and allow us to proactively manage them in intermediate care facilitating their onwards journey home.
- A range of enabling activity e.g. workforce development, estates redesign, communications and engagement.

6.1.3 This work will support all Trafford's residents and GP registered population, with interventions specifically targeting those people in the borough with poorer health outcomes and the inequalities and performance issues that need to be tackled.

6.1.4 The £22m is pump priming money which is predicated on the basis that benefits will be achieved over this time period, which can then be reinvested to fund expenditure both within that time period and beyond. The benefits are also expected to exceed on going expenditure and therefore contribute towards reducing the overall gap in funding envisaged by the Trafford locality.

6.1.5 In addition to pump priming monies the Council and the CCG also agreed to provide £10.6m of match funding giving an overall fund value of £32.6m.

6.1.6 Over the four years of the fund, costs were estimated to be £52m funded from GMHSCP (£22m), match funding (£10.6m) and associated benefits (£19.4m). The overall estimated value of benefits over this four year period was £72m.

6.1.7 The table below sets out at a high level how the expenditure of £52m and associated benefits are split between the Council and the CCG.

Establishment	Expenditure Over the 4 Years £m	Funding of Expenditure				Annual Recurrent Benefits by 20/21 £m	Annual Recurrent Net Costs by 20/21 £m	Net Recurrent Benefits by 20/21 £m
		GMHSCP £m	Match funding £m	Benefits £m	Total £m			
Council	15.9	6.5	6.0	3.4	15.9	7.7	3.3	4.4
CCG	34.4	13.9	4.6	15.9	34.4	18.0	7.4	10.6
Joint	1.7	1.6		0.1	1.7			
Total	52.0	22.0	10.6	19.4	52.0	25.7	10.7	15.0

6.1.8 In June 2019 a report to the Executive outlined the redefining/repurposing of transformation monies for the CCG. A refresh of the investment agreement

with GMHSCP is being undertaken, which will change the position in the table above.

6.1.9 The schemes within the Council have remained the same and are as follows:-

➤ **Evidence based operating model(s)**

An agreed overarching model will be employed to add empowerment and consistency across social care. The new operating model will be co-designed with partners in line with Edge of Care, the Stronger Families model and asset based approach.

➤ **Asset Based Assessment & Support based on the 3 Conversations model**

Trafford has been establishing the Asset Based Community Development (ABCD) model through partner wide training since 2015. Aligned to this is the 'One Trafford Response' place based proof of concept which is testing the key worker approach. Another proof of concept of asset based delivery is the '3 conversations' in adult social care. Both models are based on the premise of staff 'doing the right thing' with residents rather than be driven by the assessment process.

➤ **Early Help Provision Review**

A wholesale review of commissioned prevention and early help provision is being undertaken alongside mapping of non-commissioned provision and an analysis of need across the all age continuum.

➤ **Wholesale caseload reviews and reassessments in adult and children's social care**

Adult social care cases have been going through a process of reassessment in the response to the Care Act since 2014. It is expected that this work will become business as usual within the asset based work "let's talk" but will now focus on hospital discharge, learning disability and mental health.

In order to ensure the 1,500 children receiving social care support are in the most appropriate threshold for their circumstances and needs, a dedicated review team will be employed to undertake case reviews of all children, focusing on Looked After Children placements in the first instance.

➤ **Implementation of a 'Risk Based Reassessment' approach**

New approaches are being implemented in adult social care to identify cases which can be reassessed using a more proportionate method against their known risk factors; this will lead to a more efficient approach for both social worker and resident. This will form part of the system wide identification and assessment of people at risk.

➤ **Supported Living Review**

A review of all commissioned supported living provision across Trafford will be undertaken to ensure appropriate place based provision is available to support people's needs and services are value for money.

➤ **Living Well at Home Service Remodelling**

This aspect of the programme will redesign a range of services which currently support adults following hospital discharge or work to prevent admission following a health crisis. The services will be redesigned to ensure pathways and interventions have the greatest benefit. This will link with the work in the CCH to ensure health and social care services support residents in a coordinated way, which includes the home care market.

6.1.10 All of the above schemes should secure recurrent savings of £8.1m across the Trafford Health and Social Care system by the end of 2019/2020. Recurrent costs of schemes that will no longer be funded by the transformation fund in 2020/21 have been included in the MTFP. This is to ensure that the above recurrent savings continue and also looking to secure a further £0.6m linked to the saving proposals put forward by the Children and Adults Directorates within this report.

7. SCHOOLS FUNDING & BUDGETS 2020/21

7.1 Background

7.1.1 Schools are funded from a ring-fenced grant called the Dedicated Schools Grant (DSG). This funding cannot be used for any other Council function. Schools operate within their own budget with any under or over spends taken forward into future years.

There are 4 blocks within the DSG:

- Schools Block (SB) - which funds schools' budgets. This includes £74m for academies.
- Central Schools Services Block (CSSB) – This block reflects the ongoing local authority role in education and is reducing year by year.
- High Needs Block (HNB) – which primarily supports Special Educational Needs (SEN) expenditure. This includes £12m to fund Trafford Special Schools.
- Early Years Block (EYB) - which funds educational, provision for 2 to 5 year olds in both Schools and Private, Voluntary and Independent (PVI) settings.

7.1.2 Summary Position 2019/20

The latest monitoring position, updated to reflect latest DSG allocations, reflected at period 4 forecasts a £301k under spend for 2019/20. This is due to underspends from staffing vacancies and a marginally lower than expected increase in Education and Health Care Plans (EHCPs).

Table 7: DSG Overall Position	2019/20 Budget (£m)	2019/20 Expected Outturn (£m)	Difference (£m)
Schools Block	162.578	162.565	(0.013)
Central School Services Block	1.546	1.544	(0.002)
High Needs Block	26.974	26.688	(0.286)
Early Years Block	17.506	17.506	0
Total	208.604	208.303	(0.301)

The level of central DSG reserve at 1 April 2019 was £2.305m and whilst some is ring-fenced to support specific expenditure, the balance is to support the investment/pressures in the High Needs budget in future years.

Table 8: DSG Central Reserve	Reserves (£m)
Reserve as at 31st March 2019	2.305
Growth Fund	0.396
De-delegation	0.097
Early Years	0.300
Reserve for High Needs Block	1.512

7.1.3 **Budget Position 2020/21**

Schools block

Recent funding announcements have indicated new minimum levels of pupil funding from 2020/21 with secondary schools increasing from £4,800 to £5,000 per pupil and primary schools increasing from £3,500 to £3,750; further updates on available DSG for the schools block will be made available in October 2019.

High Needs Block (HNB)

There has been significant pressures within the HNB due to:

- Financial pressures in the Schools block;
- Numbers of Education and Health Care Plans (EHCPs) have continued to increase;
- The needs of many pupils are becoming more complex;
- The requirement to fund 0-25 years from 0-19 years was not funded;
- Policy changes to accountability, curriculum and testing have made inclusion in mainstream increasingly difficult for many learners;
- LAs are required to make provision for all pupils permanently excluded from school but have little power to reduce exclusions; and
- Whilst additional capital has been available to meet demand for extra special school places, additional revenue funding has not been provided.

A full review of budget assumptions for future years has been undertaken with expenditure expected to increase year on year by approximately £800k. Over the three years this will amount to £2.4m based on the following:-

- Continued increase in the level of SEN delegation payments to schools (£0.9m)
- An uplift in complexity of need leading to a rise in special school top-ups (no assumption has been made for any further growth in place numbers (£0.6m)
- Increase cost of out of borough placements caused by increasing complexity (£0.4m)
- Inflationary cost increases on out of borough placements, pay and running costs (£0.5m)

Trafford is part of several lobbying groups both nationally and regionally who have been lobbying for an immediate injection of funding into the HNB. This has been successful in securing additional funding as outlined in the recent funding announcements (See Section 2) with an extra £700m being made available nationally which has helped address the funding gap that had originally been forecast of £2.282m by 2022/23 and is shown in the table below. The High Needs allocation for 2020/21 is estimated as £29.123m, an increase of £2.8m, being the estimated share of the additional funding. The assumption is for this to remain at this level in subsequent years on the basis that the indexation of future grant allocations is unknown at this stage.

Table 9: High Needs Block Summary	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Required HNB budget	27.741	28.570	29.403
Original Estimated HNB grant	26.586	26.852	27.121
Deficit	1.155	1.718	2.282
Additional Estimated HNB grant	2.537	2.271	2.002
(Surplus)/Deficit	(1.382)	(0.553)	0.280

The above position will have a positive impact on the reserve as shown below which can be earmarked for future investment/pressures. This will mean that the Council is better placed to introduce measures necessary to balance the high needs budget in later years.

Table 10: High Needs share of the DSG Central Reserve	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Usable reserves brought forward	1.512	1.798	3.180	3.733
Additions in year	0.286	1.382	0.553	(0.280)
Useable reserves remaining	1.798	3.180	3.733	3.453

7.1.4 Future Changes

National Funding Formula (NFF)

A National Funding Formula (NFF) was introduced in 2018/19 the aim of which was to create a level playing field by creating a national formula with a single set of values for each of the factors relating to pupil and school characteristics. The intention was that when fully implemented, there would no longer be different sums of money received by schools with similar pupil profiles. However this hasn't materialised as every school's starting point is very different as a result of historic individual local formulae decided by local authorities (LAs) with floors and protections in place.

The introduction of a hard formula was to take place in 2020/21 after 2 years of a soft formula, however this has been delayed by a further year. The soft formula involves the Education Skills and Funding Agency (ESFA) applying the national formula values to individual schools' data and aggregating the allocations at LA level. They then add funding for historic spending factors which currently sit outside the NFF. LAs receive the total funding as a Schools Block allocation and distribute it between schools using a local formula. Academy General Annual Grant (GAG) is also based on the local formula too. Trafford Schools' Funding Forum opted to mirror the NFF as a local formula in 2018/19.

The hard formula means that the ESFA will calculate and distribute allocations directly to all schools and academies using the NFF. In the government's recent spending review it was announced that there is still the intention to move to a hard formula. However, there are still some big challenges to overcome before this could be implemented, for example the LA's co-ordinating role, historic spend factors and transitional arrangements.

8. CAPITAL STRATEGY AND PROGRAMME

8.1 Coverage

8.1.1 The Council's overall approach to investments is included in the Treasury Management Strategy and Capital Strategy Reports.

- **Financial assets - (Included in future Treasury Management Reports)**
 - Specified Investments
 - Loans
 - Non specified Investments (ie MAG shares)
- **Non-financial investments (See Capital Strategy and Programme below)**
 - Property, plant and equipment
 - Infrastructure
 - Surplus Property
 - Asset Investment Fund (Commercial Investments)

8.2 Background

8.2.1 The Capital Strategy and Programme aims to provide a long term vision of the Council's planned capital expenditure, capital financing and treasury management activity and how these can contribute to the provision of services through the Capital Programme and the Asset Investment Fund (Commercial Properties). The main objectives are:

- To maintain and improve key assets used in service delivery, including creation of new assets to allow services to be provided in borough where appropriate
- To invest in new technology to improve efficiencies and support alternative ways of providing services, including assisting people to remain in their own homes
- To invest in local regeneration schemes that promote economic benefit and additional housing, including specific priority to regeneration in Sale and Stretford town centres.
- To support new infrastructure investment leading to the delivery of both economic and housing growth
- To make strategic investments which will generate net revenue streams to support the revenue budget and protect service delivery
- To undertake direct delivery where this is possible to maximise returns, both revenue and capital, to the council.

8.3 Capital Programme 2019-22

8.3.1 The Capital Programme is reviewed on a bi-monthly basis and is reported in the Budget Monitoring reports to the Executive. The current programme has been updated and re-profiled for amounts brought forward from 2018-19, the re-phasing of the original 2019-20 programme to later years and new programmes and external contributions. As a result of these changes the current programme is:

Table 11: Capital Programme 2019-22	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL £'000
Service Analysis :				
Children's Services	13,694	15,162	7,345	36,201
Adult Social Care	3,095	2,857	2,857	8,809
Place	44,578	44,029	37,733	126,340
Governance & Community Strategy	1,392	421	0	1,813
Finance & Systems	2,491	0	0	2,491
Total Service Programme	65,250	62,469	47,935	175,654
Asset Investment Fund	197,142	100,000	0	297,142
TOTAL PROGRAMME	262,389	162,469	47,935	472,796
Resource Analysis :				
Capital Grants	18,596	27,819	19,655	66,070
External contributions	12,970	7,620	500	21,090
Borrowing	214,493	125,297	10,958	350,748
Reserves & revenue	3,771	0	0	3,771
Capital receipts	7,233	12,977	8,004	28,214
TOTAL RESOURCES	257,063	173,713	39,117	469,893

The level of over-programming at £2.90m is in line with what was as agreed in setting the programme in February 2019.

8.3.2 The key priorities in 2019/20 programme are :

- Investment in schools totalling £13.69m including £6.91m on additional school places, £3.99m on maintenance works and £1.14m on Special Educational Needs and Healthy Pupil initiatives.
- £3.10m investment on social care including £2.85m on disabled facilities grants and £0.46k for foster carer accommodation improvements aimed at ensuring fostered children remain in their homes for longer.
- Investment in leisure facilities of £7.93m, being the first phase of a £55.63m investment strategy in support of the Council's Leisure Strategy.
- Highways and transport investment of £23.34m. This includes £10.49m for structural works on highways, lighting and bridges, £4.78m investment on a range of integrated transport initiatives and £8.00m contribution to the Metrolink extension.

- Investment in commercial activity of £200.84m with £197.14m being invested through the Asset Investment Fund and £3.70m with the Manchester Airport Group.
- A range of town centre public realm and regeneration schemes totalling £3.31m along with public building repairs programmes of £1.65m and parks and greenspace investment of £3.21m.
- Information communications technology investment of £2.49m.

8.3.3 The capital programme utilises all known available capital funding sources over this period to include prudential borrowing, capital grants and contributions and capital receipts.

8.3.4 The current programme relies on significant levels of land sales receipts for its financing. The latest resource estimates, which include a mixture of sales receipts and direct development returns, indicate that across the three year period there are sufficient to support the current value of the programme.

8.4 General Capital Programme 2020-23

8.4.1 Capital Bidding Round

All service areas have been requested to submit new capital bids for the three years from 2020/23. This has included re-bidding for schemes in the current 2019/22 programme where those schemes are uncommitted along with new priorities across 2019/22. A full review of all bids will be undertaken by the Corporate Leadership Team and the Executive.

8.4.2 Capital Resources Update 2019-22

Assumptions will be made as to level of grants expected from central government departments and agencies. In determining a programme for 2022/23 budgets based on grants for 2020/21 and 2021/22 will be included.

There is a heavy reliance on land sales receipts and development returns in setting the capital programme. Current levels are estimated to be £28.21m which along with approved borrowing of £8.09m in support of the general programme gives discretionary internally generated resources of £36.30m. The current level of internal funding required to support current investment is £39.18m - table 2 provides a summary of the schemes currently financed by these resources.

Table 12:	2019/20	2020/21	2021/22	TOTAL
<i>Internally funded investment 2019-22</i>	£'000	£'000	£'000	£'000
Schools	1,578	0	2,050	3,628
Social Care	1,522	1,038	1,015	3,575
Public Building programmes	1,877	400	400	2,677
Regeneration & Town Centres	1,525	0	0	1,525

Leisure Strategy	3,785	150	11,332	15,267
Highways & Transport	6,390	880	800	8,070
ICT Schemes	2,243	0	0	2,243
Other	1,707	265	225	2,197
Total Investment	20,627	2,733	15,812	39,182

In order to update the programme for any new priorities that come forward as part of the bidding round a review of all un-committed schemes will have to be undertaken to confirm continued inclusion or replacement with new priorities.

- 8.4.3 A review of the future year's programme will be undertaken and reported back to Executive in February 2020. This will involve a review of existing planned programmes against new emerging priorities including any invest to save measures required to support future revenue savings.

8.5 ASSET INVESTMENT STRATEGY

- 8.5.1 The Council's Asset Investment Strategy was originally approved by the Executive in July 2017 when approval was given to increase the Capital Investment Fund to £300m with a further £100m approved in February 2019, to a total £400m. The Strategy seeks to acquire a balanced portfolio of investment assets capable of providing sustainable income streams to support the MTFP, facilitate development and regeneration and support local authority functions. Any activity is financed through prudential borrowing and included in the capital programme

The details of the strategy:

- The target income return should be between 5.0% and 6.5% to deliver sufficient margin over borrowing costs and MRP requirements, whilst still providing the investment security required. The actual returns required will depend in part on the specific MRP approach adopted.
- To achieve sustainable returns, without being over-exposed to risk, to target direct investment in prime and good secondary assets across a variety of sectors.
- Based on sector performance and the objectives, it is recommended to focus on Industrial, Retail Warehousing (including Food Stores) and alternative sectors (i.e. budget hotels).
- Other asset classes should be considered on an opportunity basis to help meet the objectives, especially where they may help achieve longer term strategic growth (i.e. regeneration).
- Creating a diversified portfolio is important, whilst balancing the need to generate a return to support local authority functions. A target average lot size of between £20m and £30m (so a fund made up of between 10 – 15 assets with a total investment of £400m). Investments outside of this range will be considered on an opportunity-led basis and considered on their merits.

- Multi-let properties will help reduce asset and tenant specific risk. No more than 10% of the portfolio income should be from a single tenant to maintain the tenant specific risk at a manageable level.
- Consideration to be given to lending to fund investment or development as part of the strategy, as this can have additional benefits especially when focused in the local area. Up to 30% of the portfolio could be allocated to debt, but consideration to a higher level on a case by case basis.

The objectives to be achieved through either:-

- Direct Investment (Medium to high risk and return),
- Development Debt (Medium risk; medium to high return), or
- Debt Investment (low to medium risk and return)

8.5.2 As part of the decision making process an Investment Management Board (IMB) has been established to oversee the approval of new acquisitions and to undertake a performance management role. This process is supported by independent external advice on each acquisition and also a robustness statement from the Corporate Director of Finance and Systems

8.5.3 To date eleven transactions have been agreed by the Investment Management Board and carried out, ten capital investments and one treasury investment. A total cost of £193.84m has been approved with actual costs incurred totalling £102.85m by the end of 2018/19 (see Table 3). This investment to date has already provided a net benefit to support the revenue budget in 2018/19 of £1.67m, and is currently forecast, as at the Period 4 monitor, to provide a net £2.57m in 2019/20.

Table 13 : Asset Investment Fund	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000
Available Investment Fund				400,000
Activity to date :				
Projected Cost				
K Site, Talbot Rd, Stretford	1,240	16,960	6,300	24,500
Sonova House, Warrington	12,170			12,170
DSG, Preston	17,386			17,386
Grafton Centre incl. Travelodge Hotel, Altrincham	10,840			10,840
No.1, Old Trafford : Debt financing for residential development	3,130	(3,130)		0
The Fort Wigan		13,927		13,927
Sainsbury's, Altrincham		25,593		25,593
Trafford Magistrates Court, Sale		4,067		4,067
Brown Street, Hale		662	6,502	7,164
The Crescent, Salford : Debt financing for residential development			60,800	60,800
Total Capital Investments	44,766	58,079	73,602	176,447
Albert Estate, Debt financing			17,395	17,395
Total Treasury Investments	0	0	17,395	17,395
Total Asset Investments	44,766	58,079	90,997	193,842
Balance available				206,158

Base Budget Assumptions

Annex A

Base Budget Assumptions	2020/21 £m	2021/22 £m	2022/23 £m
Service Expenditure			
Pay: Inflation	2.0%	2.0%	2.0%
	£1.23	£1.24	£1.25
Pay: Pension Inflation	1.0%	0.0%	0.0%
	£0.51	£0.00	£0.00
Pay: Increments & Pension Auto-Enrolment	£0.12	£0.00	£0.00
Pay: Living Wage	£1.52	£1.52	£1.50
General Inflation: Prices(*)	0.0%	2.0%	2.0%
	£0.00	£0.20	£0.21
Contractual Obligations: Inflation Specific e.g. energy	£2.16	£2.19	£2.21
Levies: Waste (GMWDA) Levy Increase	£0.50	£0.50	£0.50
Demographics:	Children	£1.50	£1.00
	Adults	£2.00	£1.50
Treasury Management			
Investment Rates	1.03%	1.22%	1.45%
Debt Rates	3.00%	3.25%	3.50%
Funding			
Council Tax rate increase (Adult Social Care)	2.00%	2.00%	2.00%
Council Tax rate increase (Relevant Basic Amount)	1.99%	1.99%	1.99%
Council Tax base increase	0.75%	1.00%	1.00%
Change in Baseline Funding Level :-			
Baseline Funding (Core) %	2.00%	2.00%	2.00%
Baseline Funding (Core) £m	£0.72	£0.73	£0.75
Baseline Funding (RSG) %	2.00%	0.00%	0.00%
Baseline Funding (RSG) £m	£0.11	£0.00	£0.00
Baseline Funding (PH) %	2.80%	0.00%	0.00%
Baseline Funding (PH) £m	£0.34	£0.00	£0.00

* - General Inflation in 20/21 was assumed at 2%, however will be absorbed as part of proposed budget saving.

Subjective breakdown of Gross Budget Gap : 2020 to 2023

<i>The 2020-21 Revised Budget Gap</i>	October 2019			
Budget Forecasts	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	Impact over 3 Years (£'000)
Net Budget b/fwd	169,936	179,674	188,964	
<u>Budget Pressures:</u>				
Pay	2,183	1,304	1,249	4,736
Living Wage	1,522	1,522	1,500	4,544
Inflationary	0	202	207	409
Contractual Obligations	2,181	2,205	2,232	6,618
Levies	226	503	500	1,229
Demographic	3,500	2,500	2,500	8,500
Grants, Legislative & Service Transfers *	(5,053)	4	0	(5,049)
New Income	0	(30)	(320)	(350)
Treasury Management	(598)	500	0	(98)
Other	5,777	580	1,000	7,357
Total Budget Assumptions	9,738	9,290	8,868	27,896
Net Budget	179,674	188,964	197,832	
<u>Funding:</u>				
Council Tax	(100,267)	(101,337)	(102,441)	
Council Tax Release of Prior Year Surplus	(1,187)			
Business Rates	(65,264)	(64,433)	(63,726)	
Available Funding	(166,718)	(165,770)	(166,167)	
Cumulative Gross Revised Budget Gap	12,956	23,194	31,665	
Annual Revised Gross Budget Gap	12,956	10,238	8,471	

100% Business Rates Retention GM Pilot

Annex C

Business Rates Benefit Calculation 2019/2020 to 2022/2023

	2019/20 100% PILOT £	2020/21 100% PILOT £	2021/22 £	2022/23 £
Gross Rates Payable	184,114,380	187,864,164	191,613,948	195,363,731
Transitional Adjustments and Mandatory & Discretionary Reliefs	(18,530,213)	(18,900,818)	(19,278,834)	(19,664,411)
NET RATES PAYABLE	165,584,167	168,963,346	172,335,113	175,699,321
Accounting Adjustments (Appeals & BDP) & Cost of Collection	(10,028,942)	(10,792,830)	(13,277,073)	(13,538,091)
NNDR Income	155,555,225	158,170,516	159,058,040	162,161,230
Local Share	153,999,672	156,588,811	157,467,460	160,539,618
Tariff	(94,589,988)	(96,385,276)	(98,669,109)	(100,998,618)
Retained Business Rates	59,409,684	60,203,535	58,798,351	59,540,999
Baseline Funding Level (BFL)	53,196,876	54,357,325	55,088,345	55,833,984
Growth	6,212,808	5,846,209	3,710,006	3,707,015
SAICA Renewable Energy	81,648	83,281	84,947	86,646
Section 31 Compensation Grants	10,501,619	9,795,729	10,397,626	10,681,778
National Levy Rebate	549,761			
Growth/(Decline) to Baseline	17,345,836	15,725,220	14,192,579	14,475,438
GM Pilot 'No Detriment' Over Payment	(10,470,846)	(9,638,836)	(8,790,605)	(8,933,903)
GM Pilot 'No Detriment' Over Payment Rebate	5,235,423	4,819,418	4,395,303	4,466,951
Business Rates Benefit over BFL	12,110,413	10,905,801	9,797,276	10,008,487
Release of Prior Year Surplus	1,181,000			
Business Rates Growth Reset			(9,712,329)	(9,921,841)
Business Rates Benefit	13,291,628	10,905,801	84,947	86,646
Transitional Protection on BR Reset			4,359,247	2,906,165
National Redistribution of BR Post Reset			3,900,000	3,900,000
Growth Post Reset			1,000,000	1,000,000
Business Rates Benefit post Reset			9,344,194	7,892,810

Total Benefit from Business Rates

	2019/20 100% PILOT £	2020/21 100% PILOT £	2021/22 £	2022/23 £
Core Baseline Funding	35,834,275	36,550,960	37,281,980	38,027,619
Revenue Support Grant	5,298,601	5,404,573	5,404,573	5,404,573
Public Health Grant	12,064,000	12,401,792	12,401,792	12,401,792
Total Baseline Funding Level	53,196,876	54,357,325	55,088,345	55,833,984
Business Rates Benefit	13,291,628	10,905,801	84,947	86,646
Transitional Protection on BR Reset			4,359,247	2,906,165
National Redistribution of BR Post Reset			3,900,000	3,900,000
Growth Post Reset			1,000,000	1,000,000
Total Benefit from Business Rates	66,488,504	65,263,127	64,432,538	63,726,795
Yearly Change				
Change in BFL		1,160,450	731,019	745,640
Change from Business Rates Pilot		(2,385,827)	(10,820,854)	1,699
Transition on Reset			8,259,247	(1,453,082)
Growth Post Reset			1,000,000	0
Yearly Change		(1,225,377)	(830,588)	(705,744)

Total reduction in Business Rates -£1.225m-£0.831m+£0.706m = -£2.762m

Savings and Income Proposals

Annex D

Theme/Title	Service Area	Status(New/Existing)	2020/21 £000's	2021/22 £000's	2022/23 £000's	Description of Saving
Fundamentally Reshaping Our Services						
Digital Transformation of Services	All	New	tbc	tbc	tbc	
Person Centred (Reshaping)	Adults	New	(301)			Continuation and roll out of the let's talk and right care for you approach to promote independence and support better outcomes
Equipment and Adaptations	Adults	New		tbc		
LPS/Portal (Reshaping)	Adults	New	(200)			The implementation of a whole systems portal for Liberty Safeguards Protection which will drive through efficiencies and costs savings.
Sub-Total			(501)	0	0	
Be More Commercial						
New Investment Income (1)	Place	New	(370)			Estimated income in the form of new rents and loan repayments from assets held as part of the Council's new investment portfolio, net of MRP payments.
New Investment Income (2)	Place	New	(2,680)	1,390	1,290	Estimated income in the form of new rents and loan repayments from assets held as part of the Council's new investment portfolio, net of MRP payments.
New Investment Income (3)	Place	New	(712)			Estimated income in the form of new rents and loan repayments from assets held as part of the Council's new investment portfolio, net of MRP payments.
Other direct development opportunities	Place	New	tbc	tbc	tbc	
Car Parking	Place	New	(144)			Car Parking - additional enforcement

Review of corporate buildings/running costs	Place	New	tbc			
Net Income from Investment Properties	Place	Existing	(269)	1,934		Estimated income in the form of new rents and loan repayments from assets held as part of the Council's new investment portfolio, net of MRP payments.
Environmental Health - Increase Income from HMO Licences	Place	Existing	(5)	(5)		Income already being received above current budget – e.g. HMO licences, costs recoverable from third parties.
Early Repayment of Suppliers Discount	CW	Existing	(10)	(10)		Review of procedures around invoice payments to maximise potential of supplier discounts
New Strategic Investment	CW	Existing		(67)		Loan interest receivable from strategic investments
Additional Treasury Mgt investment income	CW	New	(200)			Estimated returns to be generated through investment of surplus cash balances
Sub-Total			(4,390)	3,242	1,290	
Delivering More of Our Own Services						
LD supported living	Adults	New	(122)			To maximise the current service capacity within the in-house Supported Living Service.
Mental Health review	Adults	New		tbc		
Legal advocacy - in house	Central	New	(50)			Efficiency saving from reduced use of external providers
Post 16 LAC and Care Leavers	Children's	New		tbc		
Increase in income from our strategic investments	CW	Existing	(500)			Additional dividend from our strategic investments
Sub-Total			(672)	0	0	
Health and Social Care Integration						

Homecare Pilot	Adults	New	(619)			A number of pilots which will trial new ways of working, supporting positive outcomes for service users and financial benefits for the Council
Smoking Cessation	Adults	New			tbc	
Market Management	Adults	New	(68)			Pursuing alternative purchasing arrangements with providers.
Review of Children's Placements	Children's	New	(315)			Pursuing options that will allow Children currently placed outside of the borough in high cost external placements to return to appropriate placement/packages of support in Trafford
Sub-Total			(1,002)	0	0	
Other Corporate Efficiencies						
Insurance premium saving	CW	New	(50)			A reduction in the cost of council insurance premiums
Exchequer billing costs - move to online	CW	New	(80)			Reduction in printing, stationery and postage costs
Review of grounds maintenance	Place	New	(40)			Reduced grounds maintenance and promotion of wildflower areas
10% reduction in running costs	All	New	(250)			A reduction in non-contractual supplies and services budgets
Advance Pension Payment	CW	Existing	(757)			A saving generated in pension contributions payable to GM Pension Fund as a result of paying contributions up-front
Voluntary Sector Grants - use of smoothing reserve in 2019/20 - Reversal	Central	Existing	100			Reversal of one-off use of reserves in 2019/20
Coroners Saving Toxicology Contract	CW	New	(16)			Contractual savings
Sub-Total			(1,093)	0	0	
Grand Total			(7,658)	3,242	1,290	

2020/21 Subjective (Spend) Budget Analysis

Annex E

2020/21 SUBJECTIVE ANALYSIS							
	CHILDREN (£000's)	ADULTS (£000's)	PLACE £000's	CENTRAL £000's	COUNCIL-WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
NET BUDGET Brought Forward	35,427	61,241	34,797	18,454	20,017		169,936
Budget Pressures :							
Pay	774	420	293	651	45		2,183
Living Wage	24	1,498	0	0	0		1,522
General Inflation	0	0	0	0	0		0
Contractual Inflation & Obligations	294	871	806	210	0		2,181
Levies	0	0	500	0	(274)		226
Demographics/ Care Costs	1,500	2,000	0	0	0		3,500
Grants, Legislative & Service Transfers	0	(5,755)	0	0	702		(5,053)
Loss of Income	0	0	0	0	0		0
Treasury Management	0	0	0	0	(598)		(598)
Policy Choice Investment	0	0	0	0	0		0
Other	1,788	1,592	648	172	1,577		5,777
Total Budget Pressures	4,380	626	2,247	1,033	1,452		9,738
Budget Savings							
Income Generation	0	0	(149)	0	(4,731)		(4,880)
Savings Proposals Efficiencies & Policy Choice	(405)	(1,343)	(69)	(128)	(833)		(2,778)
Total Approved Budget Proposals	(405)	(1,343)	(218)	(128)	(5,564)		(7,658)
PROPOSED NET BUDGET	39,402	60,524	36,826	19,359	15,905	0	172,016
Funding:							
Council Tax						(100,245)	(100,245)
Council Tax - 1.99% General Increase						(1,995)	(1,995)
Council Tax - 2% Adult Social Care Increase						(2,005)	(2,005)
C Tax Prior Year Collection Fund (Surplus)/Deficit						(1,187)	(1,187)
Business Rates: Local Share						(150,742)	(150,742)
Business Rates: Tariff Payment						96,385	96,385
Business Rates: Growth Assumptions, S31 Grants, GM Pilot						(10,907)	(10,907)
Funding Total						(170,696)	(170,696)
PROPOSED FUNDING						(170,696)	(170,696)
Additional Use of Reserves:							
Budget Support Reserve						(600)	(600)
Movement in Reserves Total						(600)	(600)
FUNDING FROM RESERVES						(600)	(600)
BUDGET GAP							720

Details of Reserves by Category

Annex F

CATEGORY	RESERVE NAME	BALANCE AT 31st MARCH 2019	TOTAL COMMITTED 19/20 to 21/22 £000	BALANCE AFTER COMMITMENT (UNDER)/ OVER £000	TOTAL TRANSFERS 19/20 to 21/22 £000	REVISED BALANCE £000
Budget Resilience	MAG Dividend	(3,283)	0	(3,283)	733	(2,550)
Budget Resilience	Budget Support	(5,484)	3,224	(2,260)	(733)	(2,993)
Budget Resilience	Business Rate Growth Pilot Reserve (Trans to BR Risk)	(3,776)	0	(3,776)	3,776	0
Budget Resilience	Business Rate Risk Reserve	(5,000)	2,100	(2,900)	(3,776)	(6,676)
Budget Resilience	Insurance Reserve	(1,870)	0	(1,870)	0	(1,870)
Budget Resilience	Earmark Gen - Employment Rationalisation	(1,444)	0	(1,444)	444	(1,000)
Budget Resilience	Housing Benefit Overpayment Reserve	(427)	0	(427)	0	(427)
Budget Resilience	High Needs Support Reserve	(572)	572	0	0	0
Sub-Total Budget Resilience		(21,856)	5,896	(15,960)	444	(15,516)
Strategic Priority	Investment Fund	0	0	0	0	0
Strategic Priority	Transformation Fund	(943)	943	0	0	0
Strategic Priority	Transformation Fund Match Funding Reserve	(4,154)	4,154	0	0	0
Strategic Priority	Strategic Investment Fund Risk Reserve	(189)	(2,924)	(3,113)	0	(3,113)
Strategic Priority	Leisure Centres Refurbishment Reserve	(150)	0	(150)	(518)	(668)
Strategic Priority	Childrens Action Fund Reserve	(1,500)	1,500	0	0	0
Strategic Priority	Major Projects Reserve Abortive costs and DSG Acader	(609)	522	(87)	0	(87)
Sub-Total Strategic Priority		(7,545)	4,195	(3,350)	(518)	(3,868)
Smoothing	Timperley Sports Club Synthetic Pitch	(63)	(45)	(108)	0	(108)
Smoothing	Earmark Gen - Legal Expenses	(178)	178	0	0	0
Smoothing	Earmark Gen - Local Search Litigation Costs Settlement	(100)	100	0	0	0
Smoothing	Earmark Gen - Civic vehicle reserve	(32)	32	0	0	0
Smoothing	Smoothing - Waste Levy	(1,075)	736	(339)	0	(339)
Smoothing	Smoothing - Winter Maintenance	(120)	0	(120)	0	(120)
Smoothing	Smoothing - Elections	(247)	247	0	0	0
Smoothing	Smoothing - Interest Rate	(1,291)	(282)	(1,573)	0	(1,573)
Smoothing	Exchequer Services Reserve	(185)	185	0	0	0
Smoothing	Members IT Reserve	(70)	70	0	0	0
Smoothing	EU Exit Funding Reserve	(105)	0	(105)	0	(105)
Sub-Total Smoothing		(3,466)	1,221	(2,245)	0	(2,245)
Corporate	NDR Deficit Reserve	(1,040)	1,040	0	0	0
Corporate	NDR Levy Reserve	(550)	550	0	0	0
Corporate	Star Procurement Earmarked Reserve	(711)	227	(484)	0	(484)
Corporate	Planning Income Reserve	(222)	0	(222)	0	(222)
Corporate	Prepaid Rev Grants Res (IFRS)	0	0	0	0	0
Corporate	General Reserve	(7,000)	0	(7,000)	0	(7,000)
Sub-Total Corporate		(9,523)	1,817	(7,706)	0	(7,706)
Sub-Total Service Area Priority		(7,404)	7,330	(74)	74	0
SUB-TOTAL Earmarked Reserves		(49,794)	20,459	(29,335)	0	(29,335)
	Capital Related Reserves	(11,994)	47			
	School Related Reserves	(10,559)				
SUB-TOTAL		(22,553)				
TOTAL USABLE RESERVES		(72,347)				

Service Area Priority Reserves Programme

Annex G

Council Priority	Commitment Type	Directorate	Scheme Title	Plan £	2019/2020 £	2020/2021 £	2021/2022 £
Successful & Thriving Places	Contingency	Place	Masterplan and Feasibility to Support the Asset Investment Strategy	232,360	98,360	67,000	67,000
Successful & Thriving Places	Base Budget	Place	Commission Affordable Housing Needs Assessment (to support GMSF work) - use LDF(in reserves)	12,688	12,688	0	0
Successful & Thriving Places	Contractual	Place	Sale Moor and Hale Place Plan	47,357	47,357	0	0
Successful & Thriving Places	Contractual	Place	Trafford Wharfside Development Framework	20,000	20,000	0	0
Successful & Thriving Places	Contractual	Place	Partington Masterplan	20,000	20,000	0	0
Successful & Thriving Places	Contractual	Place	GMSF Evidence base and examination costs	111,284	111,284	0	0
Successful & Thriving Places	Contractual	Place	GMSF Technical and Feasibility Assessments	43,414	43,414	0	0
Successful & Thriving Places	Ring Fenced Grant/Bid	Place	Town Centre Initiatives	74,231	74,231	0	0
Successful & Thriving Places	Base Budget	Place	Trafford Local Plan	46,085	46,085	0	0
Successful & Thriving Places	Statutory	Place	Local Plan Examination 2020/21	150,000	0	150,000	0
Successful & Thriving Places	Contingency	Place	Trafford Local Industrial Strategy	30,000	30,000	0	0
Successful & Thriving Places	Base Budget	Place	Temporary Support to Outdoor Media Income	41,619	41,619	0	0
Successful & Thriving Places	Contractual	Place	Empress car park fly tipping removal	10,000	10,000	0	0
Successful & Thriving Places	Contingency	Place	Environmental Improvement Works - Sale Water Park	16,434	16,434	0	0
Successful & Thriving Places	Base Budget	Place	Interim Staff Costs - One Trafford Partnership	331,236	331,236	0	0
Successful & Thriving Places	Base Budget	Place	Interim Staff Costs - Building Control	43,350	43,350	0	0
Successful & Thriving Places	Ring Fenced Grant/Bid	Place	Pedestrian Crossing Surveys (Match Funding of TFGM Bid	52,299	52,299	0	0

			- Cycleways)				
Successful & Thriving Places	Capital Programme	Central Services	Libraries ICT and other capital improvements	106,303	106,303	0	0
Successful & Thriving Places	Contingency	Central Services	Voluntary Sector Grants Programme	147,627	47,627	50,000	50,000
Successful & Thriving Places	Base Budget	Central Services	Locality Board Initiatives	15,463	15,463	0	0
Successful & Thriving Places	Base Budget	Central Services	One off support to the 19/20 revenue budget from LAA Performance Reserve	100,000	100,000	0	0
Successful & Thriving Places	Contractual	Place	Residential and Commercial developments - Highway S37/38 fees	165,653	165,653	0	0
Successful & Thriving Places	Capital Programme	Place	Residential Parking Schemes	500,000	500,000	0	0
Successful & Thriving Places	Contractual	Place	MUFC Traffic Mgt	100,000	100,000	0	0
Successful & Thriving Places	Contingency	Place	Maintenance of Public Conveniences	104,061	104,061	0	0
Successful & Thriving Places	Base Budget	Central Services	Invest to Save/income generation business cases re Arts Centre	1,000	1,000	0	0
Successful & Thriving Places	Contractual	Central Services	GMSS Firewall Licence renewal	42,000	42,000	0	0
Successful & Thriving Places	Contractual	Central Services	GMSS Recruitment Interface	16,000	16,000	0	0
Successful & Thriving Places	Contractual	Central Services	On-line consultation portal (Citizen Space)	15,990	15,990	0	0
Successful & Thriving Places	Contractual	Central Services	Capital Project Support	57,500	57,500	0	0
Successful & Thriving Places	Ring Fenced Grant/Bid	Central Services	iTrent licences for changes to pension processing and Contact 360 development	80,337	80,337	0	0
Successful & Thriving Places	Base Budget	Central Services	HR restructure - 1 year support	100,000	100,000	0	0
Successful & Thriving Places	Base Budget	Central Services	Communications apprentice	12,000	12,000	0	0
Successful & Thriving Places	Base Budget	Central Services	Flixton House marketing manager and other temporary base budget support	57,332	57,332	0	0
Successful & Thriving Places	Contingency	Central Services	Staff/training commitments (RIF funding c/f 18/19)	79,625	79,625	0	0

Successful & Thriving Places	Contingency	Central Services	Continuing Training Programmes	65,000	65,000	0	0
Successful & Thriving Places	Base Budget	Central Services	EBP system developments inc Front line scanning solution	97,889	97,889	0	0
Successful & Thriving Places	Base Budget	Central Services	GMSS ICT update charge	50,268	50,268	0	0
Successful & Thriving Places	Base Budget	Central Services	Financial Management Temporary base budget support	237,510	79,170	79,170	79,170
Successful & Thriving Places	Contingency	Place	LED conservation areas	3,000	3,000	0	0
Successful & Thriving Places	Contractual	Place	Transformation and Modernisation	350,000	350,000	0	0
Successful & Thriving Places	Contingency	Central Services	Apprenticeship Programme	84,178	84,178	0	0
Successful & Thriving Places	Contingency	Central Services	Graduate Training Programme	36,090	36,090	0	0
Successful & Thriving Places	Base Budget	Central Services	GMSS Apprentice	23,000	23,000	0	0
Successful & Thriving Places	Contingency	Central Services	Banking costs to future years	4,218	4,218	0	0
Sub-Total Successful & Thriving Places				3,934,401	3,392,061	346,170	196,170
Children and Young People	Base Budget	Traded Services	Support from reserves smoothing re base budget subsidy	238,840	238,840	0	0
Children and Young People	Contractual	Traded Services	Food costs - Brexit impact	144,416	144,416	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	Legal Aid, Sentencing and Punishment of Offenders (LASPO)	3,381	3,381	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	New Burdens Grant - s31 Extended Personal Adviser	12,228	12,228	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	National Children's Bureau	29,472	29,472	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	Early Adopters Grant	35,000	35,000	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	Frontline Social Workers Grant	18,810	18,810	0	0
Children and Young People	Base Budget	Childrens Services	Education Welfare Service - bridging monies until restructure implemented	40,000	40,000	0	0
Children and Young People	Ring Fenced Grant/Bid	Childrens Services	Reform Investment Fund for Stronger Families	607,561	607,561	0	0

Sub-Total Children and Young People				1,129,708	1,129,708	0	0
Building Quality, Affordable and Social Housing	Contractual	Place	Commission Private Sector Housing Stock Condition Survey	16,603	16,603	0	0
Sub-Total Building Quality, Affordable and Social Housing				16,603	16,603	0	0
Green & Connected	Capital Programme	Central Services	Funding of ICT Capital Projects and Modernisation	482,279	165,856	158,423	158,000
Green & Connected	Contractual	Place	William Wroe options appraisal	10,000	10,000	0	0
Green & Connected	Ring Fenced Grant/Bid	Place	Greenspace Masterplan (Longford Park and Bollin Valley)	21,176	21,176	0	0
Green & Connected	Ring Fenced Grant/Bid	Place	District Heating network match funding	19,800	19,800	0	0
Green & Connected	Contingency	Place	Environmental Improvement Works - Sale Water Park	53,023	53,023	0	0
Green & Connected	Contingency	Place	Environmental Improvement Works - William Wroe	32,212	32,212	0	0
Green & Connected	Contractual	Place	Flood management plan	46,050	46,050	0	0
Green & Connected	Statutory	Place	Tree Inspections and Mtce (Parks and Open Spaces)	71,218	71,218	0	0
Green & Connected	Contractual	Place	Trio bins in parks etc.	98,005	98,005	0	0
Green & Connected	Contractual	Place	Keep Britain Tidy - one off performance monitoring	18,000	18,000	0	0
Green & Connected	Contractual	Place	Fly tipping removal KPI to 10 days trial	6,970	6,970	0	0
Green & Connected	Contractual	Place	Garden waste bin replacements	200,000	200,000	0	0
Green & Connected	Base Budget	Place	Recycling Initiatives	303,000	303,000	0	0
Green & Connected	Contingency	Place	GM Clean Air Plan Contingency	20,000	20,000	0	0
Green & Connected	Contingency	Place	One Off Removal of Waste in Parks	90,000	90,000	0	0
Green & Connected	Contingency	Place	Allotments Initiatives	46,004	46,004	0	0
Green & Connected	Base Budget	Place	Bikeability and Road Safety Initiatives	21,427	21,427	0	0
Green & Connected	Contingency	Place	Carbon Neutral Study	39,000	39,000	0	0
Sub-Total Green & Connected				1,578,164	1,261,741	158,423	158,000

Pride in Our Area	Contractual	Place	Partington Environmental Improvement Works	14,100	14,100	0	0
Pride in Our Area	Contractual	Place	Aeration Project Salford Quays contribution	12,065	12,065	0	0
Pride in Our Area	Contractual	Place	Halecroft Park works	15,310	15,310	0	0
Pride in Our Area	Contractual	Place	Community Initiatives	10,000	10,000	0	0
Pride in Our Area	Contractual	Central Services	Community Safety Case Management System	21,000	15,000	3,000	3,000
Pride in Our Area	Contractual	Central Services	Good Gym Project - Gyms in Parks	12,753	12,753	0	0
Pride in Our Area	Ring Fenced Grant/Bid	Central Services	Community Safety Projects	212,123	212,123	0	0
Pride in Our Area	Base Budget	Central Services	Data Lab staff support - funded from ring fenced transparency grant	66,123	66,123	0	0
Pride in Our Area	Contingency	Place	Commercial Property - Statutory Energy Ratings	12,000	12,000	0	0
Pride in Our Area	Ring Fenced Grant/Bid	Central Services	Behaviour Change Programme	24,571	24,571	0	0
Sub-Total Pride in Our Area				400,045	394,045	3,000	3,000
Health and Wellbeing	Contingency	Place	Environmental Improvement Works - Sale Water Park	8,000	8,000	0	0
Health and Wellbeing	Base Budget	Place	Funding for Sports Relationship Manager to 31/3/21	110,353	55,177	55,177	0
Health and Wellbeing	Ring Fenced Grant/Bid	Place	Active Aging Programme with age UK in Partington	29,415	29,415	0	0
Health and Wellbeing	Ring Fenced Grant/Bid	Place	Local Pilot (Sport England)	5,363	5,363	0	0
Health and Wellbeing	Contingency	Central Services	Continuing Training Programmes	40,000	40,000	0	0
Health and Wellbeing	Contractual	Adults Services	Good Gym	10,000	10,000	0	0
Health and Wellbeing	Contractual	Adults Services	Urgent Care Control Team	4,000	4,000	0	0
Health and Wellbeing	Unknown to be classified	Adults Services	Autism Innovation costs	4,000	4,000	0	0
Health and Wellbeing	Statutory	Central Services	Legal Contingency re DOLS	60,937	60,937	0	0
Sub-Total Health and Wellbeing				272,068	216,892	55,177	0

Contingency Items

0	0	0	0
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Sub-Total Contingency

0	0	0	0
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Grand -Total All Projects

7,330,989	6,411,049	562,770	357,170
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