TRAFFORD COUNCIL

Report to: **Executive**
Date: **25 November 2019**
Report for: **Information**
Report of: **The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems**

Report Title:

Budget Monitoring 2019/20 – Period 6 (April to September 2019).

Summary:

The purpose of this report is to inform Members of the current 2019/20 forecast outturn figures relating to both Revenue and Capital budgets. It also summarises the latest forecast position for Council Tax and Business Rates within the Collection Fund.

Recommendation(s)

It is recommended that the Executive:

a) note the report and the changes to the Capital Programme and Asset Investment Fund as detailed in paragraphs 28 and 38.

b) note the refund from GMCA of £2.15m of the 18/19 business rates pilot monies (paragraph 25) and the application of these funds to:

– eliminate the in-year shortfall in business rate income (£800k);

– replenish the Housing Benefit Overpayment reserve (£200k);

– replenish the Business Rates Risk Reserve (£1.15m);

c) note the movements in reserves in paragraphs 11 to 14

Contact person for access to background papers and further information:

David Muggeridge, Finance Manager, Financial Accounting Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Revenue and Capital expenditure to be contained within available resources in 2019/20.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

REVENUE BUDGET

Budget Monitoring - Financial Results

1. The approved budget agreed at the 20 February 2019 Council meeting is £169.94m. In determining the budget an overall gap of £13.44m was addressed by a combination of additional resources of £6.59m, including projected growth in business rates, council tax and use of reserves and £6.85m of service savings and additional income.

2. Based on the budget monitoring for the first 6 months of the year the forecast outturn is an overspend of £278k, a reduction of £2.68m since period 4. This positive movement is due to:-

   - A reduction in Directorate budget spend of £225k with reductions across most budget areas offset, in part, by a continued pressure on adult social care budgets.
   - An increased underspend on Council-wide budgets of £1.75m; this mainly relates to the performance of the Council's Asset Investment Strategy which is yielding net benefits of £1.95m in 2019/20 in excess of budget target of £2.41m.
   - Partial use of the business rates refund from the GMCA to cover the current projected business rates funding shortfall of £800k (see paragraph 25).

3. Detailed below in Table 1 is a summary breakdown of the service and funding variances against budget, with Table 2 providing an explanation of the variances:

Table 1: Budget Monitoring results by Service	**2019/20 Budget (£000's)**	**Forecast Outturn (£000's)**	**Forecast Variance (£000's)**	**Percent-age**
Children's Services	35,761	36,726	965	2.7%
Adult Services	48,744	50,147	1,403	2.9%
Public Health	12,219	12,852	633	5.2%
Place	34,862	35,129	267	0.8%
People	3,189	3,276	87	2.7%
Finance & Systems	7,535	7,509	(26)	(0.4)%
Governance & Community Strategy	7,735	7,648	(87)	(1.1)%
Total Directorate Budgets	**150,045**	**153,287**	**3,242**	**2.2%**
Council-wide budgets	19,892	16,928	(2,964)	(14.9)%
Net Service Expenditure variance	**169,937**	**170,215**	**278**	**0.2%**
Funding				
Business Rates (see para. 22)	(66,489)	(66,489)		
Council Tax (see para. 18)	(99,500)	(99,500)		
Reserves	(2,624)	(2,624)		
Collection Fund surplus	(1,324)	(1,324)		
Funding variance	**(169,937)**	**(169,937)**	**0**	**0.0%**

Net Revenue Outturn variance	**0**	**278**	**278**	**0.2%**
Dedicated Schools Grant	**134,718**	**134,669**	**(49)**	**(0.0)%**

Budget Adjustments and Virements

4. There has been one budget virement since the period 4 report as shown in Appendix A below.

Main variances, changes to budget assumptions and key risks

5. The main variances contributing to the projected overspend of £278k, any changes to budget assumptions and associated key risks are highlighted below:

Table 2: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	965	**Projected outturn variance £965k adverse; favourable movement of £220k since period 4** ➢ £200k above budget on Children's placements; favourable movement of £440k (Note 1); ➢ £471k above budget on staffing; adverse movement of £139k (Note 2); ➢ £162k above budget on home to school transport and nurseries; adverse movement of £20k (Note 3); ➢ £132k minor variances above budget on running costs across the service; adverse movement of £61k. **<u>Note 1</u>** The variance of £200k is as a result of a rise in demand and increasing costs of children's placements. Since the last monitoring report there has been a favourable movement of £440k. The number of children in care as at the end of September 2019 is 402, a reduction of 12 since period 4. Within the projected forecast there is an anticipated reduction in costs of £172k as the service constantly monitors the progress and possible next steps for young people in care. A contingency of £503k is also included to cover any further demand and potential timeline changes to the anticipated reductions mentioned above. The contingency will be released throughout the financial year if the service can prevent or reduce demand. The above position includes the achievement of the savings target of £573k. The service is working on strategies to minimise the forecasted overspend and will attempt to make the most cost effective

		decisions for Children entering care without compromising on outcomes for Children and safety. The service is actively 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 which would result in cost reductions, maximising internal sufficiency. The service is also adopting new working methods in the form of Restorative Practice and No Wrong Door (post October) aimed at improving early help and reducing the need for the escalation of Children through the service. **<u>Note 1a</u>** The service has operated at speed to address the issues raised in the recent OFSTED Report by increasing capacity at the front door and bringing in additional agency social workers and team leaders. There is an Improvement Board in place that is monitoring the implementation of an Improvement Plan which outlines the actions and resources required. A one-off budget of £1.5m for 2019/20 has been set aside for this which is fully committed to make the immediate changes needed. The budget process for 2020/21 includes an additional recurrent budget of £1.3m to support long-term approaches to embed improvements, which is fully committed. **<u>Note 2</u>** As a consequence of the increase in demand current forecasts indicate there is a potential overspend of £471k on additional staffing costs over budget; an adverse movement of £139k since period 4. This is due to the current high level of caseloads and use of higher cost agency workers whilst we recruit to permanent posts. **<u>Note 3</u>** The Home to School Transport service continues to experience high demand and increasing costs with current forecasts indicating that the service will be £114k overspent at the year end; an adverse movement of £13k The remainder of the overspend, £48k, is due to a shortfall in anticipated income mainly at the Partington nursery; an adverse movement of £7k.
Adult Services	1,403	**Projected outturn variance £1.403m adverse, an adverse movement of £274k since period 4.** ➢ £1.666m above budget on Adult Clients; adverse movement of £208k (Note 1); ➢ £263k under budget due to vacancies and one off savings; adverse movement of £66k (Note 2).

		Note 1 Adult Clients £1.666m adverse variance. This budget continues to be extremely volatile and although the service is managing to maintain client numbers, it is the unforeseen increase in costs due to market conditions, client complexity, high cost placements during this period, and a reduction in client contributions that has resulted in the movement from period 4. The reasons for the movement are outlined below:- • £153k increase in costs for new clients net of contingency; • £55k net increase in existing client costs. The Trafford market continues to be complex and in many instances local prices continue to rise above the Council's framework prices. There is a significant challenge for the service to procure care at framework prices and although the budget incorporated an element for this the forecasted position is higher than anticipated. As at period 6 the Council is forecasting to spend approximately £3.94m in care costs in excess of framework rates; this is an increase of £200k from period 4. In the last update the contingency figure provided was £1.5m and £625k has been released to partially offset the increase in costs for the last two months. The contingency for the remaining months is £875k and is to mitigate against potential further increases throughout the financial year. The 2019/20 budget includes a savings target of £560k. To date £387k has been realised and it is expected that the target will be achieved in full. The service continues with its initiatives to reduce these cost pressures by: • Exploring alternative contracting and payment arrangements including block purchasing; • Increasing the use of the short term recovery services within the Stabilise and Make Safe service (SaMS), ensuring that clients can increase/maintain their independence and reduce demand for residential/nursing and homecare services; • Extending the use of equipment solutions to meeting needs through the Right Care for you programme; • Increasing the use of technology; • Exploring further programmes across learning disability and mental health services to manage demand and costs of care to support the budget planning for 20/21.

		<u>Note 2</u> Current forecasts indicate there is a favourable variance of £263k. This is due to anticipated savings of :- • £159k on staffing budgets due to vacancies, adverse movement of £42k; • £102k on client equipment and maintenance budgets, adverse movement of £37k; • £2k on other minor variances, favourable movement of £13k.
Public Health	633	**Projected outturn variance £633k adverse, a favourable movement of £15k since period 4.** The service is under significant pressure this year to reduce its expenditure in order to mitigate the increasing costs of the Community Services which transferred to Manchester Foundation Trust (MFT) on the 1st October 2019. The additional cost pressure amounted to £1.641m and current projections indicate that the original planned savings for 2019/20 of £1.020m have reduced by £210k to £810k. This shortfall has been partially offset by one-off savings on staffing of £80k and other minor variances amounting to £118k. Planned savings for 2019/20 included an assumption that £100k would be realised from the Pennine Care full cost recovery reconciliation. Although this is yet to be finalised and confirmed initial indications are that this will be met in quarter 1. The £15k movement is due to the following. • £100k reduction in planned savings on smoking cessation since period 4; • An assumed additional £100k saving on the full cost recovery agreement with Pennine Care for quarter 2 of this financial year; • £15k additional reductions in staffing costs and other minor variances. The planned savings of £810k above are not all recurrent; £260k is one-off in nature. This means that there is a predicted shortfall of recurrent savings of £1.091m for 2020/21 which has been met from additional budget provided in the MTFP of £981k and anticipated reductions to spend of £110k which are currently being considered.

Place	267	**Projected outturn variance £267k adverse, a favourable movement of £68k since period 4 report:-** The overspend has reduced by a net £68k since last reported which includes an increased underspend of £34k from reviewing staff vacancies, reduced forecasts for running costs of £17k, particularly car park business rates, and £17k increase in projected income. ➢ The position includes the recent notification of back rent / service charges owing for Urmston Library £311k and historic energy costs of £59k. This is offset by additional turnover rent income from Stamford Centre £78k, in-year operational buildings income £37k and a net reduction in other property running costs of £31k; ➢ Additional one-off costs of £124k associated with surplus properties awaiting disposal / re-development; ➢ The total staff cost underspend from vacancies is £230k, which is 4.7% of the overall staffing budget and £167k in excess of the Directorate-wide efficiency savings target; ➢ The overspend includes £192k shortfall in income from Stretford Arndale turnover rent, continuing from 2018/19, no change from period 4; ➢ £50k for backlog of tree maintenance, no change from period 4; ➢ £169k one-off additional income from Regent and Oakfield Road car parks remaining open longer than expected, no change from period 4; ➢ Building control trading account has a forecast net deficit of £43k for the year; ➢ Other minor variances net underspend of £30k. Note – The Planning service budget is ring-fenced in line with government regulations resulting in a neutral impact on the forecast outturn. There was a £222k underspend in 2018/19 which has been carried forward to 2019/20 through reserves accordingly. Currently there is a projected underspend of £277k from staff vacancies and £89k in running costs, partly offset by a shortfall in income against target of £204k. The surplus balance of £162k will be transferred to the ring-fenced reserve accordingly.
People	87	**Projected outturn variance £87k adverse, an adverse movement of £8k since period 4 report:-** ➢ Staff costs are underspent by £52k due to vacancies during the year, which is 2.0% of the staffing budget. This is a minor increase of £1k since period 4 report; ➢ Running costs are £65k above budget, an increase of £5k since period 4, and include £29k relating to Occupational Health

		medical fees; ➢ Additional income above budget mainly from traded services of £54k, which is £4k lower than period 4; ➢ The above are offset by the budgeted Directorate-wide efficiency saving target of £128k.

Finance & Systems	(26)	**Projected outturn variance £26k favourable, a favourable movement of £74k since period 4 report:-** ➢ Staff costs are underspent by £124k, an increase of £70k since period 4. This reflects forecast net vacancies for the year and is 1.3% of the staffing budget. The main areas of vacancies are Exchequer services, where staff turnover is traditionally high. The Transformation team also has a one-off projected cost above budget of £212k while the service is reconfigured within the Council; ➢ Net underspend on running costs of £72k, a reduction of £4k since period 4. This includes a £49k underspend in Finance Exchequer Services, mainly in council tax billing and printing costs, and a £30k reduction in central ICT maintenance contract costs; ➢ Income is £17k above budget, an increase of £8k since period 4. ➢ The above are offset by the budgeted Directorate-wide efficiency saving target of £187k.
Governance & Community Strategy	(87)	**Projected outturn variance £87k favourable, a favourable movement of £130k since period 4 report:-** ➢ Staff costs are underspent by £425k, an increase of £124k since period 4. This is due to vacancies during the year, which is 5.9% of the staffing budget. This is £232k in excess of the Directorate-wide efficiency saving target of £193k. The main areas of vacancies are in Legal Services, which reflects challenges in recruitment for this sector, and the Access Trafford contact centre, where staff turnover is traditionally high. ➢ Net running costs above budget of £14k, an increase of £3k since period 4, including demand led legal costs; ➢ An overspend of £90k compared to budget, relating to trading activity at Sale Waterside Arts Centre. This has reduced slightly by £14k since period 4. ➢ Net income shortfall of £41k which includes a £31k deficit relating to CCTV trading. Forecast income has reduced by £3k since period 4.

Council-wide budgets	**(2,964)**	**Projected outturn variance £2.964m favourable, a favourable movement of £1.752m since period 4 report:-** ➢ Release of contingencies totaling £1.2m due to: • £700k previously reported relating to the non achievement of public health savings and to cover the shortfall in ground rent income from Stretford Mall (see Place above); • In addition, a number of Council-wide contingencies and provisions relating to service savings not being achieved and doubtful debts have been reviewed. It is considered appropriate at this stage of the year, after taking account of un-budgeted one-off costs to release 33% of these totaling £500k. ➢ The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above budget by £194k, an adverse movement of £94k since period 4. This is largely as a result of reduced subsidy resulting from a review of the treatment of temporary accommodation used by homeless families. Pressure has also been felt in lower collection rates of prior years' housing benefit overpayments as more claimants move to Universal Credit. A Housing Benefit smoothing reserve of £427k is held by the Council to help absorb fluctuations in the outturn and the figure above assumes the reserve will be used in full in 2019/20. An exercise to increase the staff resources to focus on debt recovery has recently commenced and this may alleviate some of the pressure during the year; The adverse pressure has partially been addressed in the 2020/21 draft budget through the addition of £100k budget provision. There may be a requirement for further budget provision in 2020/21 and this will be assessed as the year progresses. In addition, the replenishment of the reserve will need to be addressed and it is recommended that a figure of £200k is earmarked from the redistributed business rates growth pilot monies as highlighted in paragraph 25. ➢ Additional income, including a rebate from the GMCA £250k; ➢ A shortfall in Liability Order costs income of £220k is now projected for the year, a reduction of £23k since period 4. The shortfall is due to a drop in the number of summonses issued following some new initiatives introduced by the Council in April 2019 to help households avoid poverty. We have raised the minimum amount of arrears we summons for and to try and shape behaviours. It has also been agreed to cancel costs if "first time debtors" pay in full before the hearing date; ➢ Investment Properties income is now projected to be above budget by £1.949m. This is a favourable movement of £1.793m since period 4 and is mainly due to the provision of debt finance on two new transactions;

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<tr><th>Strategic Investment Property Portfolio 2019/20</th><th>Investment Type</th><th>Forecast Net Income £</th><th>Budgeted Target £</th><th>Variance £</th></tr>
<tr><td>Sonova House</td><td>Purchase</td><td>(62,624)</td><td>(37,078)</td><td>(25,546)</td></tr>
<tr><td>DSG Preston</td><td>Purchase</td><td>(272,601)</td><td>(273,642)</td><td>1,041</td></tr>
<tr><td>No1 Old Trafford</td><td>Debt</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Grafton Centre</td><td>Purchase</td><td>(27,368)</td><td>(86,084)</td><td>58,716</td></tr>
<tr><td>Sale Magistrates Court</td><td>Development</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Brown Street</td><td>Development</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>K Site; Equity</td><td>Development</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Bruntwood; Ksite</td><td>Debt</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>The Crescent, Salford</td><td>Debt</td><td>(1,814,562)</td><td>(1,814,562)</td><td>0</td></tr>
<tr><td>The Fort, Wigan</td><td>Purchase</td><td>(116,464)</td><td>(139,999)</td><td>23,535</td></tr>
<tr><td>Sainsbury, Altrincham</td><td>Purchase</td><td>(60,000)</td><td>(60,000)</td><td>(0)</td></tr>
<tr><td>Albert Estate</td><td>Treasury</td><td>(177,992)</td><td>0</td><td>(177,992)</td></tr>
<tr><td>Stretford Mall</td><td>Equity</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Stamford Quarter</td><td>Equity</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Bruntwood; Shopping centres</td><td>Debt</td><td>(433,542)</td><td>0</td><td>(433,542)</td></tr>
<tr><td>CIS Tower</td><td>Debt</td><td>(1,395,185)</td><td>0</td><td>(1,395,185)</td></tr>
<tr><td></td><td></td><td>(4,360,338)</td><td>(2,411,365)</td><td>(1,948,973)</td></tr>
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Treasury Management – net costs of £63k relating mainly to the early repayment of the £4m loan held by Lancashire County Cricket Club;
Other minor favourable variances of £42k.

The Government previously announced additional grant resources in 2018/19 and 2019/20 to cover costs which may arise following Brexit.
Trafford Council has received £315k over the two years. The exact details of the grant are yet to be determined so in the meantime these funds have been transferred to an earmarked reserve, resulting in a neutral impact on the 2018/19 and projected 2019/20 outturn positions.
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<tr><td>Funding</td><td>Nil</td><td></td></tr>
<tr><td>Dedicated Schools Grant</td><td>(49)</td><td> Projected outturn variance £49k favourable, a £252k adverse movement since period 4. There has been an adverse movement within the High Needs Block due to the confirmation of numbers of pupils receiving alternative provision in September 2019 (higher than anticipated); the cost of EHCP’s as a </td></tr>
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		result of the Autumn term adjustment; and income received within the Sensory Impairment budget not as high as anticipated due to students needing less input.

MTFP SAVINGS AND INCREASED INCOME

6. The 2019/20 budget is based on the achievement of permanent base budget savings and increased income of £6.855m (see para. 1 above). At period 6 the latest forecast indicates that the majority of the savings programme is on target, with a small number of projects showing a minor net shortfall totalling £33k, the same as in period 4.

RESERVES

7. In August 2019, 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.

8. This new policy was agreed and adopted by the Executive as part of the draft Budget Report 2020/21 on 14 October 2019. It was also 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

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

Table 3: ***Usable Reserves***	**Opening Balance 1/4/19 £m**	**19/20 £m**	**20/21 £m**	**21/22 £m**
Budget Resilience	21.86	17.04	16.44	16.44
Strategic Priority	7.55	5.88	5.25	4.34
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**	**34.33**	**32.14**	**30.73**
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**	**56.15**	**50.74**	**47.19**

SERVICE AREA PRIORITIES RESERVES

10. 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. These reserves will now be reported on a periodic basis within the budget monitoring reports to the Executive. The latest details of each reserve balance and commitment within this category were included in the October draft budget report to the Executive.

KEY MOVEMENTS IN RESERVES

11. **Business Rate Risk Reserve –** it was previously agreed that the unallocated balance of £2.1m reported at period 4 would be used to partially absorb the impact of the in-year business rates pressure. This reserve has now increased by a further £1.15m from the redistributed Business Rate Growth Pilot monies (see para 25 below).

12. **Housing Benefit Overpayment Reserve** – an additional amount of £200k has been earmarked from the redistributed Business Rates Growth Pilot monies as highlighted in paragraph 25 to cover the net overspend in the Housing Benefit budget of £194k included in Table 2 above.

13. **High Needs Support Reserve** – Proposals are currently being consulted on by the DfE to remove the flexibility of being able to use Council resources to support pressures, caused by inadequate levels of DSG, to support the high needs block. The Executive agreed to utilise its reserves to support pressures on the high needs budget when setting the 2019/20 budget. Therefore it is proposed to move the reserve balance of £500k to the Major Projects Reserve held to cover any unforeseen or abortive costs on major capital projects.

14. **Planning Reserve** – this is a ring-fenced reserve and is projected to increase from an opening balance of £222k by £162k which is the projected in-year underspend on the service.

TRANSFORMATION FUND

15. The Trafford locality 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.

16. A proportion of these funds have been used to deliver a number of projects within the Council that have helped deliver forecasted recurrent savings of £8.1m. The table below provides a breakdown of forecasted costs, funding and savings by each scheme for the three years to the 31st March 2020.

Table 4	Expenditure					Funded by				Annual Recurrent Benefit		
Scheme	Revised Budget £'000	Forecast £'000	Variance £,000	Cfwd £'000		GMHSCP £'000	Match Funding £'000	Total £'000		Target £'000	Actual £'000	Variance £'000
Urgent Care - Discharge to Assess Bed Facility	2,996	2,977	(19)	17		817	2,160	2,977		0	0	0
Urgent Care - Social work capacity to improve flow in hospitals	778	747	(31)	31		652	95	747		0	0	0
Urgent Care - Discharge to Assess and Process Improvements	145	138	(7)	0		122	16	138		0	0	0
Adult's and Children's Social Care	3,113	2,981	(132)	132		2,824	157	2,981		6,942	8,101	1,159
Homecare	4,301	628	(3,673)	1,645		563	65	628		0	0	0
Programme Management	1,147	1,147	0	0		644	503	1,147		0	0	0
Enablers	165	81	(84)	84		81	0	81		0	0	0
Total	**12,645**	**8,699**	**(3,946)**	**1,909**		**5,703**	**2,996**	**8,699**		**6,942**	**8,101**	**1,159**

17. Although the homecare scheme was not envisaged to deliver savings, upon preparation of the pilots' business cases it became evident that there was the potential that £619k could be achieved and this is included in the savings programme for 2020/21. During the review of these pilots in 2020/21 there is the prospect for them to be rolled wider with a potential for further additional savings in 2021/22.

COLLECTION FUND

Council Tax

18. The 2019/20 surplus on the Council Tax element of the Collection Fund is shared between the Council (82%), the Police & Crime Commissioner for GM (13%) and GM Fire & Rescue Authority (5%). The total surplus brought forward as at 1 April 2019 was £2.18m.

19. A full review has recently been completed to substantiate the award of discounts and reliefs. This has resulted in a reduction in the value of claims paid than previously reported. Also, the shortfall in the level of council tax to be collected compared to budget has fallen since period 4. As a result the in-year shortfall in budgeted income has reduced from £0.53m previously reported at period 4 to £0.26m at period 6. In addition the Council is proposing to release one-off 'credits held' of £1.50m, relating to historical overpayments by previous council tax payers who have now left the area and cannot be traced.

20. As at 30 September 2019 the end of year surplus balance is forecasted to be £1.74m, after the application of £1.58m of brought forward surplus and £101k of backdated valuations. The Council's share of this is £1.41m, and is planned to support future budgets in the MTFP.

21. Council Tax collection rate as at 30 September 2019 was 57.79%, compared to the target of 57.87%.

Business Rates

22. The 2019/20 budget included anticipated growth in retained business rates, related S31 grants and redistribution of prior year surpluses of £13.29m. This continues to be a volatile area with a decline in the overall rateable value during the year coupled with some significant backdating of appeal costs. These have contributed to a projected shortfall in funding of £2.9m, an increase of £100k since period 4. This comprises a deficit on the collection fund of £3.8m, offset by a number of accounting adjustments of £900k.

23. It must be emphasized that most of the impacts causing the in-year pressure are one off in nature, particularly the historic appeals. The situation may improve during the year, pending the discussions with the Government regarding the loss of grant and the potential for the new property developments coming online. As previously reported, it was recommended that the Business Rates Risk Reserve be drawn upon if the situation does not improve over the course of the year.

24. The Business Rate Risk 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 in 2020/21. The balance on this reserve at the end of 2018/19 stood at £8.8m and it was intended to draw down £6.7m when the Business Rates scheme is reset (2021/22) to part cushion the impact of the full reset of the business rate retention scheme. It was previously agreed that the balance of £2.1m would be used to partially absorb the impact of the in-year business rates pressures.

25. In 2018/19, as part of the 100% Business Rates Pilot, the Greater Manchester Combined Authority received a share of the retained business rates from the GM Local Authority pool members. As part of the review of their future budget requirements, the GMCA has recently agreed that a figure of £20m would be redistributed back to pool members in the current financial year, of which Trafford’s share is £2.15m. Given the in-year pressure and level of volatility, this unbudgeted refund is welcome news and it is proposed that £800k is firstly applied to meet the remaining in-year rates budget pressure (see paragraph 2), a further figure of £200k is used to replenish the Housing Benefit Overpayment Risk Reserve (see paragraph 12) and the balance of £1.15m is transferred back to the Business Rates Risk Reserve (see paragraph 11).

26. Business Rates collection rate as at 30 September 2019 was 57.27% compared to a targeted collection rate of 57.02%.

CAPITAL PROGRAMME

27. The value of the indicative 2019/20 Capital Programme set in February 2019 was £167.93m and included £100.00m for the Asset Investment Fund phased to 2019/20. Following on from the amendments reported at P4 monitoring a number of further changes have taken place and the budget is currently estimated at £262.75m. The changes to the budget are detailed below and are summarised as follows:

Table 5 - Capital Investment Programme 2019/20	**Approved Programme £m**	**Changes £m**	**Current Programme £m**
Service Analysis:			
Children's Services	13.69	-	13.69
Adult Social Care	3.10	-	3.10
Place	44.58	1.00	45.58
Governance & Community Strategy	1.39	(0.64)	0.75
Finance & Systems	2.49	-	2.49
General Programme Total	**65.25**	**0.36**	**65.61**
Asset Investment Fund	197.14	-	197.14
Total Programme	**262.39**	**0.36**	**262.75**

28. **Amendments to General Capital Programme**

- **New schemes and changes to existing budgets - £358k**
  - **Urmston Leisure Centre: £550k** – It is proposed to add £550k to the budget in respect of the purchase of furniture and equipment. The original intention was to acquire this through leasing arrangements and paid for by annual contributions by Trafford Leisure CIC. Due to preferable borrowing rates it is proposed that the Council acquire the equipment and finance it though prudential borrowing which will be cheaper than the original intention to lease. The Council's annual borrowing costs will be reimbursed by Trafford Leisure. The increase in borrowing requirement will be included in the 2020/21 budget report and approved by Council at that stage.
  - **City Cycle Ambition Grant: £(220)k** – An element of the previously awarded CCA grant from Transport for Greater Manchester has been re-assigned to Manchester City Council as the lead for the Chorlton Cycleway project.
  - **Highway Infrastructure - Safety improvements: £Nil variance -** This budget was previously reported within the Governance & Community Strategy service area. As the works are highways related and will be undertaken as part of the One-Trafford Partnership the budget has been moved to the Place service area.
  - **Other changes: £28k** – a number of small adjustments.

29. Resourcing of the capital investment programme is made up of both internal and external funding. Details of this are shown in the table below.

Table 6 - Capital Investment Resources 2019/20	Approved Programme £m	Changes £m	Current Programme £m
External:			
Grants	18.59	(0.20)	18.39
Contributions	12.97	0.01	12.98
Sub-total	**31.56**	**(0.19)**	**31.37**
Internal:			
Receipts requirement	12.56	(0.03)	12.53
Borrowing	214.49	0.55	215.04
Reserves & revenue contributions	3.78	0.03	3.81
Sub-total	**230.83**	**0.55**	**231.38**
Total Resourcing	**262.39**	**0.36**	**262.75**

30. A review of the land sales programme is currently being undertaken to determine the level of capital receipts expected to be realised in 2019/20 and the following three years. This will factor into the assessment of the current bidding round for new capital programmes and also inform the level of short term borrowing required to maintain the current programme.

31. Forecast capital receipts for 2019/20 are significantly below the level planned at the start of the year, and so short term borrowing will be required to fund schemes until future receipts are received. The amount of borrowing required will be determined by the final outturn position, taking into account any scheme slippages. At this stage, the cost of short term borrowing for 2019/20 is forecast to be approximately £100k, which will be met from reserves.

32. The shortfall in capital receipts is partially due to the Council taking forward a number of proposals for the self-development of sites rather than a straightforward disposal, which had generally been the case previously. This is expected to generate an increase in the returns from the sites, however, their longer term nature will have an impact on the short term funding of the current capital programme.

Status and progress of projects

33. This section aims to give certainty about delivery and the level of outturn performance that can be expected. For the first time in setting a capital budget the report for 2019/22, approved in February 2019, provided appendices which detailed the projects for a number of “block” allocations in 2019/20. These cover highways, corporate landlord and greenspace and has allowed for earlier design and programming with the expectation that all schemes will be delivered in year.

34. As part of the monitoring process a record of the “milestones” reached by each project is kept to show the progress of the scheme from inclusion in the

Programme through to completion. The table below shows the value of the programme across the milestone categories.

Table 7 - Status on 2019/20 Projects	Current Budget £m	Percentage of Budget
Already complete	17.21	26%
On site	30.77	47%
Programmed to start later in year	11.66	18%
Not yet programmed	5.97	9%
Total	**65.61**	**100%**

35. The first three categories give a good indication as to the level of confirmed expenditure to be incurred during the year. As can be seen £59.64m (91%) of the budget has now been committed or is programmed to start in the year.

36. Schemes with a value of £5.97m are classed as “Not yet programmed” and relate to budgets where specific projects have not yet been agreed or that have yet to have a start date, these include:

- School Expansion and Maintenance Programme - £1.94m: An unallocated balance remains following the approval by the Executive of the 2019/20 schools capital investment works. This will be either called-upon as the budgets for the 2019/20 schemes are finalised or will be the subject of a separate report to the Executive for inclusion in the 2020/21 programme.
- Leisure Centres – Essential Safety & Compliance Works - £450k: Assessments and surveys of the sites have been undertaken, however, the resultant programme of works addressing the most urgent works has still to be completed and programmed.
- City Cycle Ambition Grant - Altrincham Cycle Link - £419k: The estimated cost of the works is in excess of the CCA grant award. Potential extra funding has been identified through the Mayors Challenge Fund and we are waiting on a decision. Until then the works have been put on hold.
- Football Facility Provision - £1.03m: The budget includes grant support of £596k from the Football Foundation. Negotiations are still ongoing and as a result a date for the implementation of the scheme is still to be decided.
- Timperley Sports Club: Pitch contribution - £350k: As part of the lease with the club the council agreed to make a contribution to the replacement of the artificial pitch. This contribution was expected to fall due in this year; however the club are looking into larger scale development opportunities and will inform the Council when the contribution will be required.

37. There are a number of schemes which, whilst they have started or are still due to start in year, are not now expected to complete until 2020/21. As a result the outturn projection is now estimated to be £54.02m in year. The table below provides a summary.

Table 8 – 2019/20 Outturn Projection	£m
Current General Programme	**65.61**
Actual spend to date	18.75
Expected spend for P7-P12	35.27
Outturn Projection	**54.02**
Variance to current budget	**(11.59)**
Major Areas which require re-phasing to 2020/21	
- Schools expansion projects	3.52
- Altair Development, Altrincham	1.00
- Affordable Housing Programme	0.40
- Highways England - City Scheme	2.00
- Integrated Transport schemes	0.50
- Highways Infrastructure – Safety Improvements	0.60
- Carrington Junction Improvement Scheme	0.50
- Sale Waterside - Improvements	0.20
- 9/11 Market Street, Altrincham	0.24
- Business Loan Scheme	0.20
- Leisure Strategy	0.93
- Football Facility Provision(- in part)	0.50
- Greater Manchester Full-fibre Initiative	0.50
- Windows 10 – Implementation & rollout	0.50
Total re-phasing requirement	**11.59**

ASSET INVESTMENT PROGRAMME

38. The Council's Investment Strategy was originally approved by the Executive in July 2017 when approval was given to set the Asset Investment Fund at £300m, supported by prudential borrowing. As part of the 2019/20 budget setting a further £100m was approved taking the fund up to £400m. There is now £95m of this fund uncommitted, with a number of future proposals yet to be included such as the redevelopment of the Trafford Magistrates Court site.

Table 9: Asset Investment Fund	Asset Category	Prior years spend £m	Current Commitment £m	Total £m
Total Investment Fund				***400.00***
Capital investments				
K Site, Stretford:-				
Equity in Trafford Bruntwood LLP	Equity	9.10	3.15	12.25
Development Loan to Bruntwood	Debt	9.10	3.15	12.25
Sonova House, Warrington	Acquisition	12.17		12.17
DSG, Preston	Acquisition	17.39		17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	Acquisition	10.84		10.84
Trafford Magistrates Court	Development	4.07		4.07
The Fort, Wigan	Acquisition	13.93		13.93
Sainsbury's, Altrincham	Acquisition	25.59		25.59
Brown Street, Hale	Development	0.66	6.50	7.16
The Crescent, Salford	Debt		60.80	60.80
CIS building, Manchester	Debt		60.00	60.00
Stretford Mall & Stamford Quarter:				
Streford Mall, Equity	Equity		8.61	8.61
Stamford Quarter, Equity	Equity		16.92	16.92
Acquisition loan to Bruntwood	Debt		25.89	25.89
Total Capital Investments		**102.85**	**185.02**	**287.87**
Treasury Investments:				
Albert Estate	Debt		17.62	17.62
Total Treasury Investments		**0.00**	**17.62**	**17.62**
Total Investments		**102.85**	**202.64**	**305.49**
Balance available				**94.51**

39. To date twelve investments have been agreed by the Investment Management Board at a total capital cost of £287.87m. This investment to date has already provided a net benefit to support the revenue budget in 2018/19 of £1.67m and is forecast to provide £4.36m in 2019/20.

40. The current level of commitment stands at £185.02m and relates to:

- The purchase of the K-Site, Stretford was completed in April 2018 and a joint venture company with Bruntwood was set up to progress the development of the site. Works on the university building are now complete with the first intake of students in September 2019. The joint venture will now explore options and opportunities for the remainder of the site.

- The residential development of the Brown Street site in Hale is being undertaken at a gross cost of £7.16m, inclusive of capitalised interest financing costs of £153k. The projected development value will be £8.81m, giving a net surplus of approximately £1.65m which is in line with the financing assumptions for the overall capital programme.
- The fund is providing two debt facilities funded from PWLB borrowing. One of £60.80m to a developer for the construction of a new residential development at The Crescent, Salford, and another of £60.00m in respect of the CIS building, Manchester. The provision of these facilities were approved by the Investment Management Board as compliant with the Investment Strategy objective of delivering a financial return to support the Council's revenue budget in addition to providing regeneration to the wider Greater Manchester economic area.
- On 15 October 2019, the Council purchased the Stretford Mall and the Stamford Quarter, Altrincham, through a joint venture with Bruntwood. This had a total cost of £51.42m, with the cost split between the two partners 50:50. As part of the arrangement, the Council has provided a debt facility to Bruntwood for its share of the cost, which will provide a further revenue return to the Council.

41. The cost of acquisition of Trafford Magistrates Court is included within the Investment Fund. A procurement exercise is currently in progress to appraise options for a residential development on the site. Once the final option has been identified, the costs of the scheme will also be included in the fund until a capital receipt is realised. The options for development will be reported to a future Executive meeting.
42. In addition to the capital commitments listed above, the Investment Management Board has also given approval to the Council to provide a debt facility of £17.62m secured against a portfolio of properties in Manchester City Centre, known collectively as Albert Estate. This facility is funded through surplus cash balances and so is a part of the Council's Treasury Management Strategy, rather than a capital investment.

Issues / Risks

43. The main risk in the area of the capital programme is the timely delivery of the programme and this situation will continue to be closely monitored and any issues will be reported as and when they arise.

Recommendations

44. It is recommended that the Executive:

a) note the report and the changes to the Capital Programme and Asset Investment Fund as detailed in paragraphs 28 and 38.

b) note the refund from GMCA of £2.15m of the 18/19 business rates pilot monies (paragraph 25) and the application of these funds to:

– eliminate the in-year shortfall in business rate income (£800k);

– replenish the Housing Benefit Overpayment reserve (£200k);

– replenish the Business Rates Risk Reserve (£1.15m);

c) note the movements in reserves in paragraphs 11 to 14

Finance Officer Clearance **GB**………………
Legal Officer Clearance ……….**JLF**………

CORPORATE DIRECTOR'S SIGNATURE …………

Virements	**Children's (£000's)**	**Adults (£000's)**	**Place (£000's)**	*** Central Services (£000's)**	**Council-wide (£000's)**	**Total (£000's)**
Period 4 Report	**35,761**	**60,963**	**34,862**	**18,411**	**19,940**	**169,937**
First Phase of Modernisation of Public Services Programme – to be met from Contingency in 2019/20.				48	(48)	0
Total virements						
Period 6 Report	**35,761**	**60,963**	**34,862**	**18,459**	**19,892**	**169,937**

* People, Finance & Systems and Governance & Community Strategy.