

## TRAFFORD COUNCIL

**Report to: Executive**

**Date: 27 January 2020**

**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 8 (April to November 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 21 and 29.
- b) Approve the virement of £432,000 from within the Capital Programme to the Disabled Facilities Grant budget to help support the expenditure pressures in this area.
- c) note the movements in reserves in paragraph 10.

### **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 8 months of the year the forecast outturn is an underspend of £650k, a favourable movement of £928k since period 6. This positive movement is due to:-
  - A net increase in Directorate budget spend of £924k, of which £600k relates to increased pressures in Children's Services and a further £256k in the Place Directorate;
  - Offset by an increased underspend on Council-wide budgets of £1.852m; relating mainly to the receipt of dividends from Manchester Airport above the estimated level by £1.332m and a further increase in Asset Investment Strategy income of £444k, now totalling £2.393m.
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:

<b>Table 1: Budget Monitoring results by Service</b>	<b>2019/20 Budget (£000's)</b>	<b>Forecast Outturn (£000's)</b>	<b>Forecast Variance (£000's)</b>	<b>Percentage</b>
Children's Services	36,057	37,622	1,565	4.3%
Adult Services	48,772	50,285	1,513	3.1%
Public Health	11,778	12,417	639	5.4%
Place	34,862	35,385	523	1.5%
People	3,189	3,249	60	1.9%
Finance & Systems	7,535	7,475	(86)	(1.1)%
Governance & Community Strategy	7,852	7,804	(48)	(0.6)%
<b>Total Directorate Budgets</b>	<b>150,045</b>	<b>154,211</b>	<b>4,166</b>	<b>2.8%</b>
Council-wide budgets	19,892	15,076	(4,816)	(24.2)%
<b>Net Service Expenditure variance</b>	<b>169,937</b>	<b>169,287</b>	<b>(650)</b>	<b>(0.4)%</b>
<b>Funding</b>				
Business Rates (see para. 16)	(66,489)	(66,489)		
Council Tax (see para. 12)	(99,500)	(99,500)		
Reserves	(2,624)	(2,624)		
Collection Fund surplus	(1,324)	(1,324)		
<b>Funding variance</b>	<b>(169,937)</b>	<b>(169,937)</b>	<b>0</b>	<b>0.0%</b>
<b>Net Revenue Outturn variance</b>	<b>0</b>	<b>(650)</b>	<b>(650)</b>	<b>(0.4)%</b>
<b>Dedicated Schools Grant</b>	<b>133,960</b>	<b>133,989</b>	<b>29</b>	<b>0.0%</b>

## Budget Adjustments and Virements

4. There have been a number of budget virements since the period 6 report as shown in Appendix A below.

### Main variances, changes to budget assumptions and key risks

5. The main variances contributing to the projected underspend of £650k, any changes to budget assumptions and associated key risks are highlighted below:

Table 2: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	1,565	<p><b>Projected outturn variance £1.565m adverse; adverse movement of £600k since period 6.</b></p> <ul style="list-style-type: none"> <li>➤ £698k above budget on Children's placements; adverse movement of £498k (note 1)</li> <li>➤ £553k above budget on staffing; adverse movement of £82k (note 2)</li> <li>➤ £233k above budget on home to school transport and nurseries; adverse movement of £71k (note 3)</li> <li>➤ £81k minor variances above budget on running costs across the service; favourable movement of £51k (note 4)</li> </ul> <p><b>Note 1</b> The variance of £698k is as a result of a rise in demand and increasing costs of children's placements.</p> <p>Since the last monitoring report there has been an adverse movement of £498k, which is largely the result of stepdown placements no longer taking place or being delayed</p> <p>The number of children in care as at the end of November is 396, a reduction of 6 since period 6.</p> <p>A contingency of £302k is also included in the forecast to cover any further demand and potential timeline changes to the anticipated reductions mentioned above. The contingency is released throughout the financial year if the service is seen to prevent or reduce demand.</p> <p>The above position includes the achievement of the savings target of £573k.</p> <p>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.</p>

		<p>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.</p> <p><b><u>Note 1a</u></b></p> <p>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 is finalising an additional recurrent budget to support long-term approaches to embed improvements.</p> <p><b><u>Note 2</u></b></p> <p>As a consequence of the increase in demand current forecasts indicate there is a potential overspend of £553k on additional staffing costs over budget; an adverse movement of £82k. At this stage it is not anticipated that these costs will be offset by underspends materialising as a result of vacancies occurring throughout the financial year due to current caseloads being experienced by the teams.</p> <p><b><u>Note 3</u></b></p> <p>The Home to School Transport service continues to experience high demand and increasing costs with current forecasts indicating that the service will be £193k overspent at the year end; an adverse movement of £79k. This is a result of the new September contracts being fully implemented which has seen an increase in demand and costs.</p> <p>The remainder of the overspend, £40k, a favourable movement of £8k, is due to a shortfall in anticipated income at Partington nursery.</p>
Adult Services	1,513	<p><b>Projected outturn variance £1.513m adverse, an adverse movement of £110k since period 6.</b></p> <ul style="list-style-type: none"> <li>➤ £1.757m above budget on Adult Clients; adverse movement of £91k (Note 1);</li> <li>➤ £244k under budget due to vacancies and one off savings; adverse movement of £19k (Note 2).</li> </ul> <p><b>Note 1</b></p> <p>Adult Clients £1.757m adverse variance.</p> <p>This budget continues to be extremely volatile and although the service is managing to maintain client numbers, it is still the continuation of</p>

		<p>increased costs due to market conditions and client complexity that have resulted in the movement from Period 6.</p> <p>The reasons for the movement are outlined below:-</p> <ul style="list-style-type: none"> <li>• £317k in costs for new clients net of contingency;</li> <li>• £226k reduction in costs for existing clients;</li> </ul> <p>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 8 the Council is forecasting to spend approximately £4.15m in care costs in excess of framework rates; this is an increase of £210k from period 6.</p> <p>In the last update the contingency figure provided was £625k and £208k has been released to partially offset the increase in costs for the last two months. The contingency for the remaining months is £417k and is to mitigate against potential further increases throughout the financial year.</p> <p>There may be a potential further pressure on the budget for this year due to changes in Local Authority responsibility for S117 clients. Section 117 is a part of the legislation that requires councils and CCG's to fund the requirements of an individual's after-care under the Mental Health Act to build effective support and rehabilitation packages after a period of compulsory detention. The legislation provides free care after the detention until at any point the care is deemed to not be related to the after-care needs. Work is currently underway in assessing the implications of this and an update will be provided in the next budget monitoring report.</p> <p>The 2019/20 budget includes a savings target of £560k. This has now been achieved in full.</p> <p>The service continues with its initiatives to reduce the cost pressures by:</p> <ul style="list-style-type: none"> <li>• Exploring alternative contracting and payment arrangements including block purchasing;</li> <li>• 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;</li> <li>• Extending the use of equipment solutions to meeting needs through the Right Care for you programme;</li> <li>• Increasing the use of technology;</li> <li>• 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.</li> </ul>
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		<p><b>Note 2</b></p> <p>Current forecasts indicate there is a favourable variance of £244k. This is due to the following:-</p> <ul style="list-style-type: none"> <li>• £158k under budget on staffing due to vacancies, adverse movement of £1k;</li> <li>• £88k under budget on client equipment and maintenance, adverse movement of £14k;</li> <li>• £2k over budget on other minor variances, adverse movement of £4k.</li> </ul>
Public Health	639	<p><b>Projected outturn variance £639k adverse, an adverse movement of £6k since period 6.</b></p> <p>The service is under significant pressure this year to reduce its expenditure in order to mitigate the increasing costs of the Community Services contract which transferred from Pennine Care NHS Foundation Trust to Manchester Foundation Trust (MFT) on the 1st October 2019.</p> <p>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 £64k and other minor variances amounting to £128k.</p> <p>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 initial indications are that this will be met in quarter 1.</p> <p>The £6k movement is due to the following.</p> <ul style="list-style-type: none"> <li>• £16k adverse movement on staffing costs;</li> <li>• £10k favourable movement mainly due to rates rebate.</li> </ul> <p>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.</p>
Place	523	<p><b>Projected outturn variance £523k adverse, an adverse movement of £256k since period 6 report.</b></p> <p>The overspend has increased by a net £256k since last reported which includes £234k relating to Altrincham Leisure Centre as below.</p> <p>Remaining movements are £22k adverse which includes additional property utility costs £51k offset by an increased underspend of £36k from reviewing staff vacancies. Other adverse minor movements in running costs and income are a net £7k.</p>

		<ul style="list-style-type: none"> <li>➤ The overall position includes the back rent / service charges owing for Urmston Library £311k and historic energy costs of £59k;</li> <li>➤ There is an estimated £192k shortfall in income from Stretford Mall turnover rent, continuing from 2018/19, offset by additional rent income from Stamford Centre £78k, Station House £37k and Airport £11k;</li> <li>➤ Additional one-off costs of £124k associated with surplus properties awaiting disposal / re-development;</li> <li>➤ The total staff cost underspend from vacancies is £265k, which is 5.4% of the overall staffing budget and £202k in excess of the Directorate-wide efficiency savings target;</li> <li>➤ £50k overspend for backlog of tree maintenance;</li> <li>➤ £187k one-off additional income from Regent and Oakfield Road car parks remaining open longer than expected, £18k higher than at period 6;</li> <li>➤ Building control trading account has a forecast net deficit of £53k for the year;</li> <li>➤ Other minor variances net overspend of £15k.</li> </ul> <p>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 £286k from staff vacancies and £78k in running costs, partly offset by a shortfall in income against target of £123k. The surplus balance of £241k will be transferred to the ring-fenced reserve accordingly.</p> <p><b>Altrincham Leisure Centre</b> - As part of the leisure strategy a significant amount of design and feasibility work has been undertaken on the proposals for the new Altrincham Leisure Centre. The original intention was that the new centre would be positioned on the existing site and scheme designs were progressed on that basis. Despite this it has become evident that a number of service user groups of the centre would be displaced during construction with significant cost of alternative provision. The Altair proposals are also progressing well and the Council is working with the developer on the proposals for the site which now include the potential to reposition the new leisure centre site within the development. Whilst this would have significant benefits in terms of service continuity it would mean that an element of the design costs to date would become abortive and become a revenue cost; these are currently estimated at £234k.</p>
People	60	<p><b>Projected outturn variance £60k adverse, a favourable movement of £11k since period 6 report.</b></p> <ul style="list-style-type: none"> <li>➤ Staff costs are £2k above budget, and there are currently 4</li> </ul>



		<p>vacancies across all the Directorate service areas which are actively being recruited to. This is an adverse movement of £56k since period 6;</p> <ul style="list-style-type: none"><li>➤ Running costs are projected to be overspent by £75k, including £21k for Occupational Health medical fees and £35k from staff benefits schemes under-recovery. This is an adverse movement of £10k since period 6;</li><li>➤ There is a projected surplus in income of £145k compared to budget which includes additional income from externally traded services (e.g. with schools). This is £77k higher than period 6;</li><li>➤ The above are offset by the budgeted Directorate-wide efficiency saving target of £128k.</li></ul>
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Finance & Systems	(86)	<p><b>Projected outturn variance £86k favourable, a favourable movement of £60k since period 6 report.</b></p> <ul style="list-style-type: none"> <li>➤ Forecast staff costs are £164k less than budget across the Directorate based on actual and projected vacancies, which is 1.8% of the total staffing budget and £40k higher than last reported. This includes £307k in Finance, mainly related to Exchequer Services where staff turnover is traditionally high, and also in Financial Management from the early part of the year following a restructure. There is a £69k underspend in ICT which is undergoing a restructure in this financial year. The Transformation team has a one-off projected cost above budget of £212k while the service is reconfigured within the Council, which is being addressed in the Medium Term Financial Plan from April 2020. There are currently 16 vacancies across all the Directorate service areas which are actively being recruited to or subject to restructuring;</li> <li>➤ Running costs are forecast to be underspent by a net £88k which is £16k higher than last reported. This includes a £51k underspend in Finance Exchequer Services, mainly in Council Tax billing and printing costs;</li> <li>➤ Income is £21k above budget, an increase of £4k since last reported.</li> <li>➤ The above are offset by the budgeted Directorate-wide efficiency saving target of £187k.</li> </ul>
Governance & Community Strategy	(48)	<p><b>Projected outturn variance £48k favourable, an adverse movement of £23k since period 6 report:-</b></p> <ul style="list-style-type: none"> <li>➤ Staff costs are underspent by £475k. This is due to vacancies during the year, which is 6.6% of the staffing budget. The underspend has increased by £52k since last reported due to revised forecasts on the filling of vacancies over the remainder of the financial year. Efforts are ongoing to fill outstanding vacant posts and the staffing underspend includes £254k in Legal Services, £143k in Access Trafford (contact centre) and £77k in Partnerships and Communities. There are currently 15 vacancies across the service areas which are actively being recruited to or subject to restructuring;</li> <li>➤ Running costs are forecast to be overspent by £108k which is £76k higher than last reported mainly due to a £52k increase in projected ICT costs in Access Trafford. The overall overspend includes £44k relating to the trading position of the Waterside Arts Centre, £63k in libraries relating to ICT software, and £11k relating to legal and other fees which are demand led and difficult to predict;</li> <li>➤ There is a minor projected shortfall in income of £8k compared to budget which is a favourable movement of £16k since last reported. This includes external SLA income in Legal and</li> </ul>

		<p>Democratic Services;</p> <ul style="list-style-type: none"> <li>➤ There is an overall shortfall in other savings of £118k. This includes £87k relating to the projected income for Sale Waterside Arts Centre, which is £15k higher than last reported. There is also a £31k shortfall relating to CCTV trading income;</li> <li>➤ The above are offset by the budgeted Directorate-wide efficiency saving target of £193k.</li> </ul>
Council-wide budgets	(4,816)	<p><b>Projected outturn variance £4.816m favourable, a favourable movement of £1.852m since period 6 report:-</b></p> <ul style="list-style-type: none"> <li>• Release of contingencies totaling £1.5m 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 a further £250k of these giving a total of £750k.</li> <li>• It should also be noted that a 2019/20 Interim MAG dividend received in December 2019 was £2.3m. This is in addition to the £4.129m already received in July 2019 for the final 2018/19 dividend. The total dividend received in the year is therefore £6.429m which exceeds the previously estimated dividend by £1.332m;</li> <li>• The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above budget by £370k, an adverse movement of £176k since period 6. This pressure is a combination of reduced subsidy resulting from a review of the treatment of temporary accommodation used by homeless families and more recently an increase in the number of social care clients previously in residential care moving to Support Living Accommodation. 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. Recruitment of several vacant positions to focus on debt recovery has been completed and this may alleviate some of the pressure over time.</li> </ul> <p>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 or a transfer of resource from the residential care</p>

budgets in 2020/21 and this will be considered before the budget is agreed. The housing benefit smoothing reserve has been partially replenishment with £200k from the redistributed business rates growth pilot monies as agreed in Period 6;

- Additional income, including a rebate from the GMCA £250k;
- A shortfall in Liability Order costs income of £209k is now projected for the year, a reduction of £11k since period 6. 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;

- **Strategic Investment Properties**

Strategic Investment Property Portfolio 2019/20	Investment Type	Forecast Net Income £	Budgeted Target £	Variance £
Sonova House	Purchase	(62,624)	(37,078)	(25,546)
DSG Preston	Purchase	(272,601)	(273,642)	1,041
No1 Old Trafford	Debt	0	0	0
Grafton Centre	Purchase	(32,209)	(86,084)	53,875
Sale Magistrates Court	Development	8,968	0	8,968
Brown Street	Development	0	0	0
K Site; Equity	Development	0	0	0
Bruntwood; Ksite	Debt	0	0	0
The Crescent, Salford	Debt	(1,684,048)	(1,814,562)	130,514
The Fort, Wigan	Purchase	(116,464)	(139,999)	23,535
Sainsbury, Altrincham	Purchase	(60,000)	(60,000)	(0)
Albert Estate	Treasury	(177,992)	0	(177,992)
Stretford Mall	Equity	0	0	0
Stamford Quarter	Equity	0	0	0
Bruntwood; Shopping centres	Debt	(433,542)	0	(433,542)
CIS Tower	Debt	(1,395,185)	0	(1,395,185)
Development Team	Admin	21,603	0	21,603
The Hut Group	Debt	(600,000)	0	(600,000)
<b>Total</b>		<b>(4,204,094)</b>	<b>(2,411,365)</b>	<b>(2,392,729)</b>

Investment Properties income is now projected to be above budget by £2.393m. This is a favourable movement of £444k since period 6 and is mainly due to the additional income from an agreement with the The Hut Group not previously reported, partly offset by a delay in the provision of debt finance on one of the other investment properties;

		<ul style="list-style-type: none"> <li>• Treasury Management – net costs of £63k relating mainly to the early repayment of the £4m loan held by Lancashire County Cricket Club;</li> <li>• Other minor favourable variances of £33k.</li> </ul> <p>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.</p>
Funding	Nil	
Dedicated Schools Grant	29	<p><b>Projected outturn variance £29k adverse, a £78k adverse movement since period 6.</b></p> <p>The period movement includes net costs of £35k, after the use of DSG, relating to 12 additional Special School places being provided and a shortfall in out of borough recoupment. There has also been a late rates adjustment to a Primary School of £43k.</p>

## 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 8 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 6.

## 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. The latest position is shown in the table below, along with their projected balances over the next 3 years including the current financial year.

<i>Table 3:</i>	Opening Balance 1/4/19	19/20	20/21	21/22
<i>Usable Reserves</i>	£m	£m	£m	£m
Budget Resilience	21.86	16.41	15.81	15.81
Strategic Priority	7.55	5.88	5.55	4.94
Smoothing	3.47	2.81	2.38	2.24
Corporate	2.52	0.34	0.71	0.71
General Reserve	7.00	7.00	7.00	7.00
Service Area Priorities	7.40	0.77	0.28	0.00
<b>Earmarked Reserves</b>	<b>49.80</b>	<b>33.21</b>	<b>31.73</b>	<b>30.70</b>
Capital Related Reserves	11.99	11.26	8.04	5.90
School Related Reserves	10.56	10.56	10.56	10.56
<b>Total Usable Reserves</b>	<b>72.35</b>	<b>55.03</b>	<b>50.33</b>	<b>47.16</b>

## KEY MOVEMENTS

10. The following significant movements have been made within reserves since the period 6 report, as agreed by CLT in line with the Council's Reserves Policy:

- **Budget Support Reserve** – the net service expenditure underspend is currently £650k. Any such underspend will be transferred to the Budget Support Reserve at year end;
- **Business Rate Risk Reserve** – This reserve had an opening balance of £8.7m at the beginning of the financial year and is predicted to stand at £7.2m at yearend. The movement includes a top up of approximately £2.0m from the distribution of surplus business rates funds from the Greater Manchester Combined Authority and a drawdown of £3.5m to meet the in-year shortfall in business rates. See paragraph 19 for further details.

## **COLLECTION FUND**

### **Council Tax**

11. 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.
12. A full review was undertaken earlier in the year to substantiate the award of discounts and reliefs and as a result there has been a subsequent reduction over the last few months in the value of claims paid. Also, the shortfall in the level of council tax to be collected compared to budget has increased since period 6. As a result the in-year shortfall in budgeted income has increased by £168k from £261k, previously reported at period 6, to £429k at period 8. In addition the Council has now confirmed the final release of one-off 'credits held' in 2019/20 of £1.43m, relating to historical overpayments by previous council tax payers who have now left the area and cannot be traced. This is £74k less than previously reported at period 6.
13. As at 30 November 2019 the end of year surplus balance is forecasted to be £1.49m, after the application of £1.59m of brought forward surplus and £100k of backdated valuations. The Council's share of this is £1.22m, and is planned to support future budgets in the MTFP.
14. Council Tax collection rate as at 30 November 2019 was 76.6%, compared to the target of 76.49%.

### **Business Rates**

15. There is a projected shortfall in funding from Business Rates of approximately £3.5m. This is an adverse movement of approximately £600k since Period 6, caused mainly by a further reduction in rates relating to buildings undergoing major refurbishment. As in the previous period, it is proposed that this pressure is initially met from a combination of the Business Rate Risk Reserve at £2.1m and the GMCA redistribution of prior year's growth pilot monies (see para 25). Any remaining balance on the growth pilot monies, approximately £500k at Period 8, will be transferred to the Business Rate Risk Reserve.
16. Business Rates continues to be a volatile area with a decline in the overall rateable value during the year due to a pattern of properties being converted to residential settings and some significant backdating of appeal costs. It must be emphasised that most of the impacts causing the in-year pressure are one off in nature, particularly the historic appeals. The situation should improve as new property developments come on line.
17. 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. The Business Rate Risk Reserve was established in 2017/18 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.

18. 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 reported in Period 6, the GMCA has 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. It was also agreed in Period 6, that £800k be applied to partially meet the meet the in-year rates budget pressure (see paragraph 2), a further figure of £200k is used to replenish the Housing Benefit Overpayment Risk Reserve as previously reported. As at Period 8 a further figure of £600k will be required to meet the additional pressure in Business Rates with the current balance of £500k transferred back to the Business Rates Risk Reserve.
19. Business Rates collection rate as at 30 November 2019 was 74.71% compared to a targeted collection rate of 74.06%.



## CAPITAL PROGRAMME

20. 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 P6 monitoring a number of further changes have taken place and the budget is currently estimated at £262.77m. The changes to the budget are detailed below and are summarised as follows:

<b>Table 5 - Capital Investment Programme 2019/20</b>	<b>Approved Programme £m</b>	<b>Changes £m</b>	<b>Current Programme £m</b>
<b>Service Analysis:</b>			
Children's Services	13.69	-	13.69
Adult Social Care	3.10	-	3.10
Place	45.58	-	45.58
Governance & Community Strategy	0.75	-	0.75
Finance & Systems	2.49	0.02	2.51
<b>General Programme Total</b>	<b>65.61</b>	<b>0.02</b>	<b>65.63</b>
Asset Investment Fund	197.14	-	197.14
<b>Total Programme</b>	<b>262.75</b>	<b>0.02</b>	<b>262.77</b>

### 21. Amendments to General Capital Programme

#### ➤ New schemes and changes to existing budgets - £20k

- **Adult Social Care – Payment Collection System : £20k** – This is an update to the current system which will allow for amendments to charges to be updated more timely, will reduce the time to recover increases and potentially reduce the value of written-off charges. The costs of the update will be funded from reserves.
- **Disabled Facility Grants** – Included within the 2019/20 budget is an allocation of £2.8m to cover the cost of adaptations to property which facilitate residents remaining in their own homes. These grants are statutory in nature and therefore the Council needs to provide appropriate adaptations where they are identified. The majority of the budget, £2.2m is financed from the Better Care Fund Grant with the balance supported from the Council's available capital receipts. Due to a continuing pressure on this budget projected expenditure for the year is expected to be £3.3m. A review of the capital programme has been undertaken to identify where scheme savings exist to cover the projected overspend and this has identified budget savings across a range of schemes of £432k which can be vired to DFG's. In the event that no further savings materialise by the end of the financial year or no other resources become available, then the balance of the final overspend will become a first call against the 2020/21 budget.

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

<b>Table 6 - Capital Investment Resources 2019/20</b>	<b>Approved Programme £m</b>	<b>Changes £m</b>	<b>Current Programme £m</b>
<b>External:</b>			
Grants	18.39	-	18.39
Contributions	12.98	-	12.98
<b>Sub-total</b>	<b>31.37</b>	<b>-</b>	<b>31.37</b>
<b>Internal:</b>			
Receipts requirement	12.53	-	12.53
Borrowing	215.04	-	215.04
Reserves & revenue contributions	3.81	0.02	3.83
<b>Sub-total</b>	<b>231.38</b>	<b>0.02</b>	<b>231.40</b>
<b>Total Resourcing</b>	<b>262.75</b>	<b>0.02</b>	<b>262.77</b>

23. In the event that there is any shortfall of capital receipts in 2019/20 compared to the requirement above there might be a need to undertake temporary borrowing, the extent of which would depend on the final outturn position. At this stage, the cost of short term borrowing for 2019/20 is forecast to be approximately £100k, which will be met from reserves.

#### **Status and progress of projects**

24. 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.
25. 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.

<b>Table 7 - Status on 2019/20 Projects</b>	<b>Current Budget £m</b>	<b>Percentage of Budget</b>
Already complete	21.83	33%
On site	30.71	47%
Programmed to start later in year	8.52	13%
Not yet programmed	4.57	7%
<b>Total</b>	<b>65.63</b>	<b>100%</b>

26. 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 £61.06m (93%) of the budget has now been committed or is programmed to start in the year.

27. Schemes with a value of £4.57m are classed as “Not yet programmed” and relate to budgets where specific projects have not yet been agreed or budgets that have yet to have a start date, these include:
- School Expansion and Maintenance Programme - £1.87m: 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 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 CCAG award. Extra funding has been identified through the Mayors Challenge Fund and the works will be included as part of delivery of the North Altrincham Bee Network programme.
  - Football Facility Provision - £1.03m: The budget includes grant support of £596k from the Football Foundation. To date a significant scheme is being procured and final application of grant support is being submitted to the Football Foundation.
  - 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 which will inform the Council when the contribution will be required.
28. 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 £53.54m in year. The table below provides a summary.

<b>Table 8 – 2019/20 Outturn Projection</b>	<b>£m</b>
<b>Current General Programme</b>	<b>65.63</b>
Actual spend to date	25.39
Expected spend for P9-P12	28.15
<b>Outturn Projection</b>	<b>53.54</b>
<b>Variance to current budget</b>	<b>(12.09)</b>
<b>Major Areas which require re-phasing to 2020/21</b>	
- 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
- Highway Structural Maintenance Programme	0.10
- Highways Infrastructure – Safety Improvements(*)	0.60
- Carrington Junction Improvement Scheme	0.50
- Residents Parking Schemes	0.40
- 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
- Schools expansion projects	
<b>Total re-phasing requirement</b>	<b>12.09</b>

## ASSET INVESTMENT PROGRAMME

29. 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 £27m of this fund uncommitted.
30. To date thirteen transactions have been agreed by the Investment Management Board at a total capital cost of £373m with actual costs incurred totalling £103m by the end of 2018/19. 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 £4.2m in 2019/20.
31. The current level of commitment stands at £252.52m and relates to:
- The purchase of the K-Site, Stretford was completed in April 2018 and a joint venture company with Brunwood 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 three 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, £60.00m in respect of the CIS building, Manchester and £67.50m in respect of the construction of a new headquarters for the HUT Group. 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.
32. On the 15<sup>th</sup> of October, the Council purchased the Stretford Mall and the Stamford Quarter, Altrincham, through a joint venture with Bruntwood. This had a total cost of £51.05m, 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.
  33. 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 Committee meeting.
  34. In addition to the capital commitments listed in paragraph 14, the Investment Management Board has also approved 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.

<b>Table 9: Asset Investment Fund</b>	<b>Asset Category</b>	<b>Prior years spend £m</b>	<b>Current Commitment £m</b>	<b>Total £m</b>
<b>Total Investment Fund</b>				<b>400.00</b>
<b>Capital investments</b>				
<i>K Site, Stretford:-</i>				
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
<i>Stretford Mall &amp; Stamford Quarter:</i>				
Stretford Mall, Equity	Equity		8.61	8.61
Stamford Quarter, Equity	Equity		16.92	16.92
Acquisition loan to Bruntwood	Debt		25.89	25.89
The Hut Group	Debt		67.50	67.50
<b>Total Capital Investments</b>		<b>102.85</b>	<b>252.52</b>	<b>355.37</b>
<b>Treasury Investments:</b>				
Albert Estate	Debt		17.62	17.62
<b>Total Treasury Investments</b>		<b>0.00</b>	<b>17.62</b>	<b>17.62</b>
<b>Total Investments</b>		<b>102.85</b>	<b>270.14</b>	<b>372.99</b>
<b>Balance available</b>				<b>27.01</b>

### Issues / Risks

35. 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**

- 36. 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 21 and 29;
  - b) note the movements in reserves in paragraph 10

**Finance Officer Clearance**      ...GB.....  
**Legal Officer Clearance**      .....DS.....

**CORPORATE DIRECTOR'S SIGNATURE** ..... 

<b>Virements</b>	<b>Children's (£000's)</b>	<b>Adults (£000's)</b>	<b>Place (£000's)</b>	<b>* Central Services (£000's)</b>	<b>Council- wide (£000's)</b>	<b>Total (£000's)</b>
<b>Period 6 Report</b>	<b>35,761</b>	<b>60,963</b>	<b>34,862</b>	<b>18,459</b>	<b>19,892</b>	<b>169,937</b>
Re-align Public Health budgets to match reduction in notional Public Health grant	75	(192)		117		0
Re-alignment of 3 Admin posts	80	(80)				0
Re-alignment of Manager post	34	(34)				0
Re-alignment of IT budgets	107	(107)				0
						0
<b>Total virements</b>	<b>296</b>	<b>(413)</b>	<b>0</b>	<b>117</b>	<b>0</b>	<b>0</b>
<b>Period 8 Report</b>	<b>36,057</b>	<b>60,550</b>	<b>34,862</b>	<b>18,576</b>	<b>19,892</b>	<b>169,937</b>

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