**TRAFFORD COUNCIL**

**Report to:** **Executive**
**Date:** **16 March 2020**
**Report for:** **Information**
**Report of:** **The Executive Member for Finance and Investment and the Corporate Director of Finance and Systems**

**Report Title:**

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| Budget Monitoring 2019/20 – Period 10 (April 2019 to January 2020). |

**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 as detailed in paragraph 22.
b) 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

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| 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 10 months of the year the forecast outturn is an underspend of £180k, an adverse movement of £470k since period 8. This movement is due to:-

    - A net increase in Directorate budget spend of £190k, of which the major changes include an increase in projected adult social care costs of £876k mainly as a result of some backdated care costs, £365k reduced pressures in Children's Services, a further £227k in the Place Directorate and £90k in Finance & Systems Directorate;

    - Offset by a reduced underspend on Council-wide budgets of £280k; relating mainly to a reduction in Asset Investment Strategy income of £151k and pressures in the Housing Benefit budget of £125k.

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 | 36,057 | 37,257 | 1,200 | 3.3% |
| Adult Services | 48,772 | 51,161 | 2,389 | 4.9% |
| Public Health | 11,778 | 12,383 | 605 | 5.1% |
| Place | 34,862 | 35,158 | 296 | 0.8% |
| People | 3,201 | 3,267 | 66 | 2.1% |
| Finance & Systems | 7,535 | 7,359 | (176) | (2.3)% |
| Governance & Community Strategy | 7,840 | 7,816 | (24) | (0.3)% |
| **Total Directorate Budgets** | **150,045** | **154,401** | **4,356** | **2.9%** |
| Council-wide budgets | 19,892 | 15,356 | (4,536) | (22.8)% |
| **Net Service Expenditure variance** | **169,937** | **169,757** | **(180)** | **(0.1)%** |
| **Funding** | | | | |
| 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) | | |
| **Funding variance** | **(169,937)** | **(169,937)** | **0** | **0.0%** |
| **Net Revenue Outturn variance** | **0** | **(180)** | **(180)** | **(0.1)%** |
| **Dedicated Schools Grant** | **133,985** | **133,345** | **(640)** | **(0.5)%** |

**Budget Adjustments and Virements**

4. There have been a couple of minor budget re-alignments across Central Serices (People and Governance and Community Strategy) since the period 8 report.

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

5. The main variances contributing to the projected underspend of £180k, 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 | 1,200 | **Projected outturn variance £1.200m adverse; a favourable movement of £0.365m since period 8**<br><br>➢ £0.516m above budget on Children's placements; favourable movement of £0.182m (Note 1)<br>➢ £0.536m above budget on staffing; favourable movement of £0.017m (Note 2)<br>➢ £0.310m above budget on home to school transport and nurseries; adverse movement of £0.077m (Note 3)<br>➢ £0.162m below budget on other running costs across the service; favourable movement of £0.243m (Note 4)<br><br>**Note 1**<br>The variance of £0.516m is as a result of changes in demand, types of placements required and the increasing costs of children's placements.<br>Since the last monitoring report there has been a favourable movement of £0.182m, largely the result of a reduction in net new placements and release of contingency allocation.<br>The numbers of children in care as at the end of January was 390, a reduction of 6.<br><br>A contingency of £0.095m 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.<br><br>The above position includes the achievement of the savings target of £573k.<br><br>The service continues to work on strategies to minimise the forecasted overspend and will attempt to make the most cost effective decisions for Children entering care without |

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| | | 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.<br><br>**Note 1a**<br><br>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 has approved an additional £3.8m recurrent budget to support long-term approaches to embed improvements.<br><br>**Note 2**<br><br>As a consequence of the increase in demand, current forecasts indicate there is a potential overspend of £536k on additional staffing costs over budget; a favourable movement of £17k.<br><br>**Note 3**<br><br>The Home to School Transport service continues to experience high demand and increasing costs with current forecasts indicating that the service will be £280k overspent at the year end; an adverse movement of £87k. This is as result of additional runs required to meet demand.<br><br>The remaining £30k overspend is due to a shortfall in anticipated income at Partington nursery, a favourable movement of £10k.<br><br>**Note 4**<br>There has been a favourable movement on other running costs of £243k. This is due to the receipt of additional income together with a reduction in spend in these areas across the service. |
| Adult Services | 2,389 | **Projected outturn variance £2.389m adverse, an adverse movement of £876k since period 8.**<br><br>➢ £2.711m above budget on Adult Clients; adverse movement of £954k (Note 1)<br>➢ (£322k) below budget due to vacancies and one off savings; variable movement of £(78)k (Note 2) |

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| | | **Note 1**<br><br>Adult Clients £2.711m adverse variance.<br><br>This budget continues to be extremely volatile and although the service is still managing to maintain client numbers, it is still the continuation of increased costs due to market conditions and client complexity that have resulted in the movement from Period 8.<br><br>The reasons for the movement are outlined below:-<br><br>• £459k in costs for new clients net of contingency;<br>• £370k reduction in costs for existing clients;<br>• £865k in respect of provision for S117 cases – see below<br><br>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 10 the Council is forecasting to spend approximately £4.2m in care costs in excess of framework rates; this is an increase of £54k from period 8.<br><br>In the last update the contingency figure provided was £417k and £292k has been released to partially offset the increase in costs for the last two months. The contingency for the remaining months is £125k and is to mitigate against potential further increases throughout the financial year.<br><br>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 individuals after-care under the Mental Health Act to build effective support and rehabilitation packages after a period of compulsory detention. Work is currently underway in assessing the full implications of this and at this stage a provision of £865k for backdated costs has been included in this monitoring position. An update will be provided in the next budget monitoring report.<br><br>The 2019/20 budget includes a savings target of £560k. This has now been achieved in full.<br><br>The service continues with its initiatives to reduce the cost pressures by:<br><br>• Exploring alternative contracting and payment arrangements including block purchasing;<br><br>• 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; |

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| | | • Extending the use of equipment solutions to meeting needs through the Right Care for you programme;<br><br>• Increasing the use of technology;<br><br>**<u>Note 2</u>**<br>Current forecasts indicate there is a favourable variance of £322k. This is due to the following:-<br>• (£245k) under budget on staffing due to vacancies, favourable movement of (£87k)<br>• (£79k) under budget on client equipment and maintenance, adverse movement of £9k<br>• £2k over budget on other minor variances, no movement. |
| Public Health | 605 | **Projected outturn variance £605k adverse, a favourable movement of £34k since period 8.**<br><br>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.<br><br>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 £98k (a favourable movement of £34k since last period) and other minor variances amounting to £128k.<br><br>Savings for 2019/20 include an assumption that £200k would be realised from the Pennine Care full cost recovery reconciliation. This is yet to be finalised and confirmed.<br><br>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 £0.981m and anticipated reductions to spend of £110k. |
| Place | 296 | **Projected outturn variance £296k adverse, a favourable movement of £227k since period 8 report.**<br><br>The overspend has reduced by a net £227k since last reported which includes additional property rental income from Trafford Town Hall and Sale Waterside £139k, increased underspend of £69k from reviewing staff vacancies. Other favourable net movements across running costs and income are £19k.<br><br>The overall net overspend includes as reported previously and updated where appropriate: |

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| | | ➢ back rent / service charges owing for Urmston Library £263k and historic energy costs of £59k;<br>➢ 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;<br>➢ Additional one-off costs of £157k associated with surplus properties awaiting disposal / re-development;<br>➢ Aborted design costs relating to the proposed redevelopment of Altrincham Leisure Centre £234k;<br>➢ £50k overspend for backlog of tree maintenance;<br>➢ Building control trading account has a forecast net deficit of £56k for the year;<br>➢ The total staff cost underspend from vacancies is £334k, which is 6.9% of the overall staffing budget and £271k in excess of the Directorate-wide efficiency savings target;<br>➢ £168k one-off additional income from Regent and Oakfield Road car parks remaining open longer than expected;<br>➢ Additional rental income from operational estate £139k;<br>➢ Other minor variances net underspend of £11k.<br>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 £305k from staff vacancies and £1k in running costs, partly offset by a shortfall in income against target of £182k. The net surplus balance of £124k will be transferred to the ring-fenced reserve accordingly. |
| People | 66 | **Projected outturn variance £66k adverse, an adverse movement of £6k since the period 8 report.**<br>➢ Staff costs are £36k above budget, which includes £35k of additional Executive costs. There are currently 4 vacancies across all the Directorate service areas which are actively being recruited to.<br>➢ Running costs are projected to be overspent by £52k, which includes £35k from staff benefits schemes under-recovery which will be addressed from 2020/21. This is an adverse movement of £17k since period 8;<br>➢ There is a projected surplus in income of £150k compared to budget which includes additional income from externally traded services (e.g. with schools). This is £5k higher than period 8.<br>➢ The above are offset by the budgeted Directorate-wide efficiency saving target of £128k. |

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| Finance & Systems | (176) | **Projected outturn variance £176k favourable, a favourable movement of £90k since period 8 report.**<br>➢ Forecast staff costs are £214k less than budget across the Directorate based on actual and projected vacancies, which is 2.3% of the total staffing budget and £50k higher than last reported. The staffing underspend includes £385k 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 £79k in ICT which is undergoing a restructure this financial year. Transformation team has a one-off projected cost above budget of £250k while the service is reconfigured within the Council, which is being addressed in the Medium Term Financial Plan from April 2020. There are currently 19 vacancies across all the Directorate service areas which are actively being recruited to or subject to restructuring;<br>➢ Running costs are forecast to be underspent by net £88k which is unchanged from last reported. This includes a £51k underspend Finance Exchequer Services, mainly in council tax billing and printing costs;<br>➢ Income is £61k above budget which is £40k higher than last reported, including £23k proceeds of crime income received since period 8;<br>The above are offset by the budgeted Directorate-wide efficiency saving target of £187k. |
| Governance & Community Strategy | (24) | **Projected outturn variance £24k favourable, an adverse movement of £24k since the period 8 report:-**<br>➢ Staff costs are underspent by £515k. This is due to vacancies during the year, which is 7.1% of the staffing budget. The underspend has increased by £40k since last reported. Efforts are ongoing to fill outstanding vacant posts and the staffing underspend includes £294k in Legal Services, £145k in Access Trafford (contact centre) and £78k in Partnerships and Communities. There are currently 18 vacancies across the service areas which are actively being recruited to or subject to restructuring.<br>➢ Running costs are forecast to be overspent by £133k which is £25k higher than last reported mainly due to a additional costs associated with business continuity planning. The overall overspend also includes £31k relating to the trading position of the Waterside Arts Centre, £65k in libraries relating to ICT software, and £12k relating to legal and other fees which are demand led and difficult to predict;<br>➢ There is a projected shortfall in income of £58k compared to budget which is an adverse movement of £50k since last reported. The movement includes £27k relating to capital fee |

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| | | income shortfall (related to staff vacancies), £14k of estimated grant reductions and £9k reduction in projected external SLA income in Legal and Democratic Services.<br>➢ There is an overall shortfall in other savings of £107k. This includes £76k relating to the projected income for Sale Waterside Arts Centre which is £11k less than last reported.<br>➢ The above are offset by the budgeted Directorate-wide efficiency saving target of £193k. |
| Council-wide budgets | (4,536) | **Projected outturn variance £4.536m favourable, an adverse movement of £280k since period 8 report:-**<br>• Release of contingencies totaling £1.5m due to:<br>£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);<br>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.<br>• As previously reported, the total MAG dividend received in the year has exceeded the budget by £1.332m;<br>• The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above budget by £495k, an adverse movement of £125k since period 8. This pressure is a combination of reduced subsidy resulting from a review of the treatment of temporary and supported accommodation, and lower collection rates of prior years' housing benefit overpayments.<br>• Additional income, including a rebate from the GMCA £250k;<br>• A shortfall in Liability Order costs income of £213k is now projected for the year, a minor increase of £4k since period 8.<br>• Investment Properties income is now projected to be above budget by £2.24m. This is an adverse movement of £151k since period 8 relating to an increase in transactional costs and a reduction in rental income, offset by an improved assessment of the income associated with the HUT Group debt profile.<br>• Treasury Management – net costs of £63k relating mainly to the early repayment of the £4m loan held by Lancashire County Cricket Club;<br>• Other minor favourable variances of £33k. |

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| | | The Government previously announced additional grant resources in 2018/19 and 2019/20 to cover costs which may arise following Brexit.<br>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. |
| Funding | Nil | |
| Dedicated Schools Grant | (640) | **Projected outturn variance £640k favourable, a £669k favourable movement since period 8.**<br>The period movement includes the following:-<br>• £326k underspend on the schools block due to an under allocation on the Growth Fund agreed at the Schools Funding Forum in January 2020;<br>• £137k underspend on the Central Schools Service Block mainly as a result of funding for infant school class sizes now being eligible within the growth fund;<br>• £206k underspend on the High needs block mainly due to the receipt of additional income for nursery assessment places in special and maintained schools. |

**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 10 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 £23k, an improvement of £10k since period 8.

**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. As such the level of reserves were reviewed as part of the final budget report for 2020/21 agreed on 19 February 2020 and the latest postion and key movements are summarised below.

9. The Council's usable reserves at 31st March 2019 stood at £72.34m, of which £49.79m 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.

| ***Table 3:*** ***Usable Reserves*** | **Opening Balance 1/4/19 £m** | **19/20 £m** | **20/21 £m** | **21/22 £m** |
|---|---|---|---|---|
| Budget Resilience and Smoothing | 25.32 | 21.48 | 14.38 | 14.24 |
| Strategic Priority | 7.55 | 5.88 | 5.55 | 4.94 |
| 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 |
| **Earmarked Reserves** | **49.79** | **35.47** | **27.92** | **26.89** |
| 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** | **72.34** | **57.29** | **46.52** | **43.35** |

## KEY MOVEMENTS

10. The following significant movements have been made within reserves since the period 8 report, and reflect changes agreed in the final budget report for 2020/21 and the Council's Reserves Policy:

- **Budget Resilience Reserves and Smoothing Reserves** - have been merged in to a new combined category.

- **Budget Support Reserve –** the net service expenditure underspend is currently £1.045m. Any such underspend will be transferred to the Budget Support Reserve at year end;

- **Budget Resilience and Smoothing - Manchester Airport Dividend Reserve –** Policy reviewed to retain an amount of 10% (was 50%) of the estimated annual dividend, i.e. £550k based on the 2020/21 budget. This has released £2.7m in 2019/20 from the reserve to the Budget Support Reserve.

- **Budget Resilience - Business Rate Risk Reserve**
  This balance was held to offset the impact of the planned business rate reset but given MHCLG are planning a transitional protection scheme it is expected the full balance will not be required. An amount of £2m has therefore been transferred to the Budget Support Reserve. The balance at the end of 2019/20 is expected to stand at £4.8m after the application to

meet the in year pressures in the rates budget and the top up from the growth pilot (see para 19)

- **Bus Reform – Budget Resilience** – This is a new reserve recently established to hold the potential contribution for bus reform in 2020/21. This has been financed from the refund expected in 2019/20 from the Waste Authority.

## 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 in the number of claims paid, however the value has exceeded our budget expectations. This has increased the shortfall in council tax income since period 8. As a result the in-year shortfall in budgeted income has increased by £172k from £429k, previously reported at period 8, to £601k at period 10. Further work is continuing to review the level of discounts and reliefs. This shortfall has been offset by the 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.

13. As at 31 January 2020 the end of year surplus balance is forecasted to be £1.35m, after the application of £1.59m of brought forward surplus and £70k of backdated valuations. The Council's share of this is £1.1m, and is planned to support future budgets in the MTFP.

14. Council Tax collection rate as at 31 January 2020 was 94.8%, compared to the target of 94.6%.

### Business Rates

15. There is a projected shortfall in funding from Business Rates of approximately £4.0m. This is an adverse movement of approximately £0.5m since Period 8, which includes a reduction due to an increase in empty property relief of £0.9m offset by a reduction in our assumptions in business rate appeals. As in the previous period, it is proposed that this pressure is initially met from a combination of the Business Rate Risk Reserve and the GMCA redistribution of prior year's growth pilot monies (see below).

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. A further review of our appeals provision relating to the impact of the major transport infrastructure developments on the Trafford Park and Trafford Centre areas will be undertaken before the year end when it is hoped that more information from the VOA will be available on the level of settlements.

18. 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 2021/22. The balance on the reserve at the end of 2018/19 stood at £8.8m. After a review of our assumptions on transitional tapering arrangements as a result of the business rate reset, a decision was made as part of the 2020/21 budget round to transfer £2.0m to the Budget Support Reserve.

19. 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 agreed in Period 6, a figure of £200k would firstly be used to replenish the Housing Benefit Overpayment Risk Reserve, with the remaining balance of £1.95m being used to either meet the in-year pressure in the rates budget or replenish the Business rates Risk Reserve. As at Period 10, the balance on the Business Rate Risk Reserve is expected to stand at £4.8m at year end, after the application to meet the in-year deficit and the net top up from growth pilot monies.

20. Business Rates collection rate as at 31 January 2020 was 91.43% compared to a targeted collection rate of 91.0%.

## CAPITAL PROGRAMME

21. 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. Whilst the overall budget remains unchanged at £262.77m from that reported at P8 the approved virements have amended the budget within each service area. 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 | (0.06) | 13.63 |
| Adult Social Care | 3.10 | 0.43 | 3.53 |
| Place | 45.58 | (0.19) | 45.39 |
| Governance & Community Strategy | 0.75 | (0.06) | 0.69 |
| Finance & Systems | 2.51 | (0.12) | 2.39 |
| **General Programme Total** | **65.63** | **-** | **65.63** |
| Asset Investment Fund | 197.14 | - | 197.14 |
| **Total Programme** | **262.77** | **-** | **262.77** |

22. **Amendments to General Capital Programme**

- **Changes to existing budgets.**
  - **Disabled Facility Grants** –. A review of the capital programme has been undertaken and identified a number of budget areas where scheme savings exists. These savings have now been verified and a total of £432k has been vired from a number of schemes across all service areas to cover the projected overspend. There is no impact on the overall Capital Programme budget.

23. 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 | 18.39 | - | 18.39 |
| Contributions | 12.98 | - | 12.98 |
| **Sub-total** | **31.37** | **-** | **31.37** |
| **Internal:** | | | |
| Receipts requirement | 12.53 | - | 12.53 |
| Borrowing | 215.04 | - | 215.04 |
| Reserves & revenue contributions | 3.83 | - | 3.83 |
| **Sub-total** | **231.40** | **-** | **231.40** |
| **Total Resourcing** | **262.77** | **-** | **262.77** |

24. 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**

25. This section aims to give certainty about delivery and the level of outturn performance that can be expected. The capital budget report for 2019/22, was approved in February 2019, and for the first time provided appendices which detailed the projects for a number of "block" allocations in advance of the start of the next financial year (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. This process has also been repeated for the 2020/23 programme approved in February this year for 2020/21.

26. 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 | 22.76 | 35% |
| On site | 32.80 | 50% |
| Programmed to start later in year | 6.10 | 9% |
| Not yet programmed | 3.97 | 6% |
| **Total** | **65.63** | **100%** |

27. 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 £61.66m (94%) of the budget has now been committed or is programmed to start in the year.

28. Schemes with a value of £3.97m 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 - £1.60m: 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.

- 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 which will inform the Council when the contribution will be required.

29. 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 currently estimated to be £49.70m in year. The table below provides a summary.

| **Table 8 – 2019/20 Outturn Projection** | **£m** |
|---|---|
| **Current General Programme** | **65.63** |
| Actual spend to date | 29.77 |
| Expected spend for P11-P12 | 19.93 |
| **Outturn Projection** | **49.70** |
| **Variance to current budget** | **(15.93)** |
| **Major Areas which require re-phasing to 2020/21** | |
| - Schools related projects | 3.85 |
| - 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 | 0.49 |
| - Highways Infrastructure – Safety Improvements | 0.60 |
| - Carrington Junction Improvement Scheme | 0.40 |
| - 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 | 1.00 |
| - Parks & Greenspace schemes | 1.23 |
| - Timperley Sports Club - Artificial Pitch contribution | 0.35 |
| - Waterside Arts Centre - building refurb | 0.10 |
| - CCTV Transformation Programme | 0.14 |
| - Greater Manchester Full-fibre Initiative | 0.70 |
| - Windows 10 – Implementation & rollout | 0.90 |
| - Miscellaneous ICT Schemes | 0.30 |
| **Total re-phasing requirement** | **15.93** |

## ASSET INVESTMENT PROGRAMME

30. 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 currently £27m of this fund uncommitted.

31. 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 £4.65m in 2019/20, rising to an estimated net benefit in 2020/21 of £7.43m.

32. The current level of committed spend 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 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 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.
   - On the 15th of 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 £51.05m, 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 acquiring Trafford Magistrates Court is included within the current Investment Fund spend £4.07m. 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 full costs of the scheme will 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 32, 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.

| **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 |
| The Hut Group | Debt | | 67.50 | 67.50 |
| **Total Capital Investments** | | **102.85** | **252.52** | **355.37** |
| **Treasury Investments:** | | | | |
| Albert Estate | Debt | | 17.62 | 17.62 |
| **Total Treasury Investments** | | **0.00** | **17.62** | **17.62** |
| **Total Investments** | | **102.85** | **270.14** | **372.99** |
| **Balance available** | | | | **27.01** |

**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 22;

  b) note the movements in reserves in paragraph 10

**Finance Officer Clearance** *……GB…………*
**Legal Officer Clearance** *……………DS…*

**CORPORATE DIRECTOR'S SIGNATURE**