TRAFFORD COUNCIL

Report to: **Executive**
Date: **23 November 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 2020/21 – Period 6 (April to September 2020).

Summary:

The purpose of this report is to inform Members of the current 2020/21 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) Recommend to Council to approve an increase to the net Revenue Budget of £261k to £175.52m as detailed in paragraph 2 below;

b) note the updated positions on the revenue budget, collection fund and capital programme.

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 2020/21.
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

Other Options

Not Applicable

Consultation

Not Applicable

Reasons for Recommendation

Not Applicable

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

CORPORATE DIRECTOR'S SIGNATURE …………

REVENUE BUDGET

Budget Monitoring - Financial Results

1. The approved budget for 2020/21 agreed at the 19 February 2020 Council meeting was £175.26m. In determining the budget an overall gap of £18.56m was addressed by a combination of additional resources of £8.50m, including projected growth in business rates, council tax and use of reserves and £10.06m of service savings and additional income.

2. The Revenue Budget has now been increased by £261k to £175.52m as a result of a minor late change in the financial settlement relating to resources to support the Public Health budget. This change to the net budget will need to be formally approved and will be considered at full Council in November 2020.

3. Since the budget was set, the outbreak of COVID-19 has had far reaching implications on the Council's expenditure, income and overall funding both in the current financial year and also future years. The impact in future years was included in the draft budget report presented to the Executive on 12 October 2020 and will be updated to reflect any significant changes in assumptions before the final budget is presented for approval in February 2021.

4. The situation regarding the impact of COVID-19 is constantly evolving and the complexity of forecasting the short and medium term impact has been exacerbated by the evident second wave, the recently announced Tier 3 restrictions across the Greater Manchester Region and full national lockdown from 5 November 2020.

5. Since the period 4 report, the Government has announced further support comprising:
    - A Contain Outbreak Management Fund – this scheme was announced at the time of drafting this period 6 monitoring report to support activities like enforcement, compliance and contact tracing. Initially payments were to be made to local authorities ranging from £1 to £8 per head of population depending on the level of local restriction in place (Tier 1 to 3). However with effect from 5th November, the national lockdown will in effect place all authorities in Tier 3 and with a population of 237,000, the Council will receive a grant of £1.899m. This grant and the estimated additional costs are assumed to be neutral in the forecasts at this stage;
    - On 12 October 2020, the Government announced a further £900m of support to Councils to meet additional COVID-19 related pressures over the winter period plus a further £100m support for Local Authority Leisure Centres. Trafford will receive a £2.23m share of the £900m allocation. However, firm details of the Leisure Centre support have yet to be released. The general support grant has been included in the forecasts, however this will be used to contribute to a contingency reserve in the immediate term due to the uncertainty surrounding any potential increase in costs associated with a second wave.

- On 22 September 2020 the Prime Minister announced that £60 million will be made available to local authorities and the police to support additional compliance and enforcement activities. Of this, Trafford's share is £107k and has been included in the Place Directorate forecasts to offset an equal estimated cost.
- Following the Prime Minister's announcement on 31st October regarding the national lockdown, local authorties have been requested to administer specific grant funding to cover a range of support businesses in local areas. This includes the The Local Restrictions Support Grant which will provide up to £3,000 per 4 week period for businesses forced to close during the national lockdown. A further Additional Restrictions Grant which is a single allocation based on £20 per head of population for each local authority to use to run a discretionary grant scheme, for example for businesses that are severely impacted rather than closed has also been announced. The allocation can also be used for other direct business support at the discretion of the local authority, for example support for businesses from Growth Hubs. These grants will not form part of the Council's core budget monitoring reports.

6. Monitoring the impact of COVID-19 is undertaken and reported to MHCLG monthly and based on the latest return is due to be submitted on 6 November the total gross pressures in 2020/21 amount to £51.48m compared with £45.58m reported in September 2020 and the period 4 monitoring report. The movement of £5.9m largely relates to potential increases in gross cost due to uncertainty surrounding the impact of the escalating second wave of COVID-19. The increase in gross cost has been offset by additional grant support and contributions from the CCG, leaving a net COVID-19 pressure of £6.59m, compared to £8.31m at period 4.

7. As in previous periods the variances included in the projections in the report need to be treated with caution as there are many unknowns such as:

   - how demand, particularly in adults and children's social care services will impact on the budget during the remainder of the year;
   - the implications of a second spike in infections would inevitably increase the costs associated with hospital discharges as well as other council income streams;
   - the impact of the second wave on the local economy may still affect Council Tax collection rates and could lead to an increase in benefits such as Council Tax Support and Housing Benefit awards;
   - The Council generates many income streams against which it holds numerous balances for outstanding debtors. Examples include social care debt, general debtors and investment debtors. Whilst collection rates remain reasonably stable, the potential for default cannot be ignored, particularly the impact the second lockdown will have on commercial rent income;
   - as mentioned above, the Council will receive an additional £2.23m to accommodate winter pressures relating to COVID-19. Due to the

uncertainty surrounding the increased costs related to the second wave, the full amount of the additional grant will be held in a contingency reserve to cover the types of pressures mentioned above.

8. **Given these uncertainties it not possible to put a definitive figure on the projected outturn position. The Covid-19 related pressures, including the contingency budget of £2.23m referred to in Paragraph 7 above, amount to £6.586m. This takes account of Government Support received to date, contributions from the CCG and the deferral of the in year estimated deficits on the Council Tax and Business Rates collection fund. At this stage of the year the overall budget forecasts are currently indicating some potential savings across other service and corporate contingency budgets which if fully realised should help mitigate the overall Covid-19 pressures to arrive at a net overspend of £220k; a favourable movement compared to the projected overspend of £2.248m at period 4.**

9. The outturn forecast includes some significant movements, however due to their treatment and manner of funding many have had a neutral effect. The salient movements being:

- Improved council tax collection. Collection rates have continued to improve month on month and forecasts include a £0.84m improvement since period 4. However, as the collection fund deficit was removed from the current year to be spread over the next three years, the effect in 2020/21 is neutral. The benefit, if it continues, will be reflected in the final budget assumptions for 2021 to 2023;
- As a result of the Tier 3 restrictions,followed by the national lockdown, income losses across a number of Services from sales, fees and charges are estimated to increase further. However, these losses have largely been covered by the Government's compensation scheme and the claim to Government of £3.562m is included in the Council-wide underspend, an increase of £562k since last reported;
- Home to school transport costs have been revised downward by £394k;
- A net favourable movement across other Children's Services of £477k, particularly relating to staffing costs;
- Increased costs of discharge to assess £1.53m and infection control £1.98m are anticipated since period 4, however both are offset by additional contributions from the CCG and grant income, resulting in a neutral effect;
- A favourable net movement across Adult Services of £548k;
- Further income losses across the Place Directorate, partly offset by vacancy savings, have increased the overspend by £535k;
- A net favourable movement across Central Services of £108k;
- The contingency budget held within Council-wide has been reviewed and a figure of £375k has been released;
- Other net favourable movements of £99k.

10. 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	**2020/21 Budget* (£000's)**	**Forecast Outturn (£000's)**	**Forecast Variance (£000's)**	**Percent-age**
Children's Services	42,142	42,840	698	1.7%
Adult Services	49,398	50,258	860	1.7%
Public Health	12,376	12,398	22	0.2%
Place	29,340	36,162	6,822	23.3%
Strategy and Resources	5,105	7,831	2,726	53.4%
Finance & Systems	7,900	7,697	(203)	(2.6)%
Governance & Community Strategy	6,458	6,866	408	6.3%
Total Directorate Budgets	**152,719**	**164,052**	**11,333**	**7.4%**
Council-wide budgets	22,803	16,268	(6,535)	(28.7%)
Net Service Expenditure variance	**175,522***	**180,320**	**4,798**	**2.7%**

Funding				
Business Rates (see para. 21)	(65,792)*	(65,792)		
Council Tax (see para. 15)	(103,990)	(103,846)	144	0.1%
Reserves Budget Support	(4,524)	(4,524)		
Reserves to Support COVID-19		(4,722)	(4,722)	
Collection Fund surplus	(1,216)	(1,216)		
Funding variance	**(175,522)***	**(180,100)**	**(4,578)**	**(2.6%)**
Net Revenue Outturn variance	**0**	**220**	**220**	**0.1%**
Dedicated Schools Grant	**139,392**	**140,490**	**1,098**	**0.8%**

Budget Adjustments and Virements

* A change to the net revenue budget and a number of virements across Directorates are detailed in Appendix 1.

Main variances, changes to budget assumptions and key risks

11. The main variances contributing to the projected overspend in service budgets of £4.798m, 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	698	**Projected outturn variance £698k adverse; a favourable movement of £871k since period 4.** The coronavirus pandemic continues to have a significant impact on

the service both in terms of changes to its service delivery and finances. The estimated pressures are outlined below:

- The overall savings target for the service of £1.611m, is now anticipated to be achieved;
- Anticipated increase in overall demand in placements of £1.206m, a minor increase of 6k (Note 1);
- Underspend on staffing budgets of £1.875m, a favourable movement of £504k (Note 2);
- Additional transport costs of £639k, a £394k favourable movement (Note 3);
- £185k under budget on other running costs and income across the service; a favourable movement of £18k (Note 3);
- Anticipated surge in demand and subsequent support required at an early stage £600k, no change;
- Loss of income of £290k, an adverse movement of £39k, mainly seen at the two nurseries and those service areas unable to provide face to face training;
- Other minor additional costs £23k, no change.

Note 1

Current projections indicate there is an estimated overspend of £1.206m on children's placements, an adverse movement of £6k;

The numbers of children as at the end of September 2020 are as follows:-

- children in care 387, an increase of 9;
- child protection is 218, an increase of 1;
- children in need 672, a reduction of 86.

The above position assumes that £1.611m of the original savings target will be achieved in full and as at the end of September 2020 £1.383m of this has been achieved.

A contingency of £1.150m is also included to cover any further demand and potential timeline changes to the anticipated reductions mentioned above.

Note 2

There are underspends in staffing of £1.875m; this is a favourable movement of £504k which is mainly due to further delays in recruiting to the posts created as a result of the additional investment in the service.

These staffing delays are one-off in nature as the service undertakes its service redesign which will be in place in 2021/22.

		<u>Note 3</u> The adverse variance in running costs across the service is £454k; a favourable movement of £412k. The reasons for this favourable movement are as follows:- • Home to School transport favourable movement of £394k. This includes an adverse movement of £263k on business as usual due to the impact of revised routes and numbers for the new school year in September 2020, and a favourable movement of £657k for social distancing requirements which are less than originally anticipated. • Minor variances favourable movement of £18k.
Adult Services	860	**Projected Outturn variance £860k adverse, a favourable movement of £548k since period 4.** The coronavirus pandemic is continuing to have a significant impact on the service both in terms of changes to its service delivery and finances and is bracing itself for a second spike in COVID-19 infection. The areas of estimated pressures are outlined below: • The overall savings target for the service was £1.348m, of which £949k is not anticipated to be achieved, no movement; • Payments to care providers of £1.469m to meet additional costs, a favourable movement of £316k due to this amount being funded by the CCG from their allocation; • £1.250m below budget on Adult clients; a £46k favourable movement. This includes a saving against budget of £2.250m relating to lower than projected client numbers, partly offset by an anticipated increase in costs following the isolation of many vulnerable people within the population both due to increased physical need and mental health support, £1.0m. (Note 1); • £348k below budget due to vacancies and one off savings, favourable movement of £106k Note 2); • Additional Personal Protective Equipment £475k of which £435k is recovered from the CCG and £40k is met by the Council, £80k favourable movement to the Council; It must be noted that the risk posed by a second spike in COVID-19 infections would place an increased demand on the Service in supporting the NHS with ensuring speed of discharges. At this stage the only allowance included within these projections is that as from the 1st September 2020, up to 6 weeks cost of discharges from hospital will be met by Trafford Clinical Commissioning Group (CCG). **Note 1** Adult Clients currently projects a £2.250m favourable variance; £46k

favourable movement since period 4.

This budget has and continues to increase in both its complexity and volatility as a result of the coronavirus pandemic.

Although there is little movement from period 4 within the forecast there is an estimate of the costs of those on going packages of care, currently met by Trafford CCG from the outset of COVID-19 in line with the national COVID-19 guidance, which during September/October 2020 will become the financial responsibility of the appropriate organisation. The current forecast cost for those care packages still awaiting determination is £2.9m. At this stage an estimate has been included of £672k (just over 20%) as to the amount that will either transfer to the CCG as continuing health care (CHC) packages or from client contributions once financial assessments have been undertaken. It should be noted that this estimate has the potential to vary and it is not until the next monitoring report that a more exact figure will be available together with the client numbers in receipt of adult social care.

Within the projection there is a contingency of £604k set aside for additional increases in demand/cost pressures throughout the financial year that are non COVID-19 related and £1m for anticipated COVID related increases in costs following the isolation of many vulnerable people within the population both due to increased physical need and mental health support.

Savings of £313k have been achieved mainly as a result of the work undertaken during 2019/20 and its full year impact into 2020/21, with an expectation that another £50k will be achieved by the end of March 2021. The remaining target for adult clients of £748k is not anticipated to be achieved due to the need to respond to the COVID-19 pandemic.

Note 2

The current forecasts indicate there is a favourable variance of £348k; a favourable movement of £106k. This is due to the following:-

- £263k favourable variance on staffing due to vacancies; favourable movement of £143k;
- £133k favourable variance on client equipment and maintenance due to the impact of COVID-19; adverse movement of £37k;
- £48k adverse variance on contracts; no movement.

In addition to this there are further estimated costs as outlined below:-

- £8.883m which will be met by the CCG from their allocation given by NHSE for hospital discharges;
- £4.246m for infection control for care providers which will be met by government grant an increase of £1.976m following the release

		of round 2 funding from government on 1st October 2020.
Public Health	22	**Projected Outturn variance £22k adverse, no movement from period 4.** All of this variance, £22k, is projected as COVID-19 related council spend on staffing. In addition to this there are further estimated costs due to COVID-19 of £1.457m for the test and trace service which will be met by a specific government grant an increase of £300k following a further grant allocation from government. Due to the need to respond to the COVID-19 pandemic, discussions with Manchester Foundation Trust on the community contract are currently on hold. The current forecast anticipates that spend will be in line with current budget.
Place	6,822	**Projected outturn variance £6.822m adverse, an adverse movement of £535k since period 4** **The forecast pressures include:** • COVID-19 related income losses are £6.162m, an increase of £659k due to the extension of COVID-19 restrictions now assumed to the end of the financial year. This includes parking fees and fines £929k (increase of £43k), property rentals £813k (increase of £50k), outdoor media advertising £611k, planning fees £558k, licencing fees £239k (increase of £109k), building control fees £168k, highways permits and grants £164k (increase of £65k), street trading £114k (increase of £54k), pest control £38k and trade waste not previously reported £117k. The figures also include the potential requirement to support Trafford Leisure which has estimated trading deficits for 2020/21 due to the various COVID-19 restrictions from the Government to date and assumed for the remainder of the year, as reported previously. Trafford Leisure are working closely with the Council to monitor finances and mitigate the budget pressures as far as possible within the various operational restrictions; • COVID-19 related expenditure pressures are £1.108m and have reduced by £44k overall. This includes a reduction of £150k in expected additional waste disposal costs based on latest tonnage estimates, which are now £555k in total. The overall pressure also includes £215k related to waste collection (increase of £101k), £140k for rough sleepers, £50k for inclusive neighbourhoods, £50k for high street re-opening, £35k traffic management, £22k play areas, £30k operational buildings and £11k staff overtime; • Other non-COVID-19 forecast pressures include £227k relating to property costs, including those awaiting disposal or

		redevelopment plus shortfalls in building control income £160k, following on from the end of 2019/20, and community safety CCTV £34k. These are offset by additional income above budget for Altair £120k and other rents £19k; • There is an overall staffing underspend of £494k relating to actual and forecast vacancies for the year (excluding the ringfenced Planning account), which is approximately 7.7% of the staffing budget. This is £173k higher than last reported; • The Planning service is a ringfenced account and has a forecast underspend of £236k in staffing and running costs which can be utilised to offset the COVID-19 income pressure for Planning application fees above. The Strategic Investment Property Portfolio is being closely monitored and pressures are forecast in achieving the budgeted levels of income primarily from the town centre related assets, namely Streford Mall, Stamford Quarter and Grafton Centre. At this stage the estimated income from the other assets is broadly as expected, although, a number of tenants have requested to pay rent on a monthly basis. Any shortfall in budgeted income at year end will be met through a reduced contribution to the Strategic Property Investment Reserve or offset by additional income. The portfolio is therefore still forecast to provide a net benefit to the Council's revenue budget of £7.43m in 2020/21, while making a prudent contribution to the risk reserve; the projected balance is estimated to be £5.748m at 31/3/21.
Strategy and Resources	2,726	**Projected outturn variance £2.726m adverse, an adverse movement of £146k since period 4.** **This includes COVID-19 pressures of £2.866m, an adverse movement of £165k since period 4:** • Trading losses of £2.154m in Catering and £50k in Cleaning (both unchanged) and £383k in the Music Service (reduction of £13k). There is also a £6k loss of other SLA income and a net £206k loss of income from staff parking which is now expected to be suspended for most of the financial year due to extended COVID-19 restrictions (£132k higher); • Additional expenditure relating to staffing is £20k (unchanged) and there are now additional communications cost of £47k since period 4. All forecasts reflect the extension of COVID-19 restrictions, since last reported, and are now assumed to the end of the financial year. **Other Variances £140k favourable, a favourable movement of £19k since period 4:** • Forecast staff costs are £188k below budget across the Directorate based on actual and projected vacancies across

		the year (2.9% of the staff budget), a favourable movement of £18k; • General running costs are underspend by £12k, favourable movement of £37k; • Net additional income below budget of £4k, adverse movement of £38k including £26k relating to events and advertising; • Bereavement Services net additional income after costs of £70k, favourable movement of £1k; These are offset by the budgeted Directorate-wide efficiency saving target of £126k, which is projected to be achieved in full.

Finance & Systems	(203)	**Projected outturn variance £203k favourable, a favourable movement of £29k since period 4.** **COVID-19 Forecast Pressures £137k, no movement since period 4:** This relates to additional unplanned expenditure of £142k directly related to the COVID-19 pandemic, in particular related to ICT equipment and systems. Exchequer also has a number of COVID-19 related cost pressures relating to staff £31k, welfare assist food costs £20k and £8k for NNDR software changes. These are offset by a £64k increase in the Local Housing Allowance grant. **Other Variances £340k favourable, a favourable movement of £29k** • Forecast staff costs are £310k less than budget across the Directorate based on actual and forecast vacancies across the whole year, which is 3.7% of the total staffing budget, and £23k higher than last reported. This includes £193k in Finance and Exchequer Services and £117k in ICT; • General running costs are forecast to be underspent by £203k, a minor reduction of £2k. The underspend mainly relates to reduced ICT systems and maintenance costs pending major capital investment; • Other additional income is £15k above budget, favourable movement of £8k. These are offset by the budgeted Directorate-wide efficiency saving target of £188k, which is expected to be achieved in full.
Governance & Community Strategy	408	**Projected outturn variance £408k adverse, a favourable movement of £225k since period 4.** **COVID-19 Forecast Pressures £639k, an adverse movement of £19k since period 4** (losses of income £361k and additional unplanned expenditure £278k): • Forecast income losses include £179k relating to Sale Waterside Arts Centre and £65k for events including at Flixton House. Land charges income is projected to be £53k less than budget and Registrar's £30k. There is also a £34k loss of income expected from library lettings; • Additional expenditure includes £428k of legal costs related to fees and additional agency staff required due to the increase in caseload, which has increased by £13k. This is offset by £150k saving from the local election being deferred until 2021 as previously reported. All forecasts reflect the extension of COVID-19 restrictions, since last reported, and are now assumed to the end of the financial year.

		Other Variances £231k favourable, favourable movement of £244k: • Forecast staff costs are £541k below budget across the Directorate, an increase of £175k, based on actual and projected vacancies reviewed across the year (9.2% of the staff budget). This includes £200k in Legal Services, £130k in Access Trafford (contact centre), £172k in Partnerships and Communities and £39k in Arts and Culture; • General running costs are overspent by £39k, favourable movement of £66k, mainly due to reduced library purchases in-year due to a change in supplier contractor; • There is a shortfall in income of £78k compared to budget excluding the COVID-19 pressures above, an adverse movement of £6k. This includes a £38k shortfall in capital fee income which is related to staff vacancies, and a £27k reduced forecast of grants in Democratic Services. The net overall underspend of the above is offset by the reduced budgeted Directorate-wide efficiency saving target of £193k.
Council-wide budgets	£(6,535)	**Projected outturn variance £6.535m favourable, a favourable movement of £982k since period 4** • COVID-19 Support Grant – favourable £10.587m a favourable £2.234m since period 4 to reflect the recently announced 4th COVID-19 support grant. The Government has announced various general packages to support the financial impact of COVID-19. All of these generic support grants have been accounted for in Council-wide as a centrally held resource for monitoring purposes; • COVID-19 Sales, Fees and Charges Compensation Scheme – £3.562m favourable - alongside the announcement of the 3rd COVID-19 support grant in July 2020, the Government announced a compensation scheme for lost income from Sales, Fees and Charges. Further details are shown in paragraph 30. It is estimated £3.562m will be reimbursed by the Government, an improvement of £562k over that assumed in period 4; this has been accounted for in Council-wide in the same manner as the support grants. • As mentioned above, the Council is expecting to receive an additional £2.234m to accommodate winter pressures relating to COVID-19. Due to the uncertainty surrounding the financial impact of a second wave, as mentioned in paragraph 5, a contribution to a contingency reserve of £2.234m has been included in the Council-wide forecast; • Due to Tier 3 status/national lockdown, the Council will

		receive a Contain Management and Outbreak Grant at £1.899m to support activities like enforcement, compliance and contact tracing. This grant and the estimated additional costs are assumed to be neutral in the forecasts at this stage; • £5.142m adverse variance on Treasury Management – due to the impact of COVID-19 on the economy the budgeted MAG Dividend of £5.597m is no longer expected. Also, there is a reduction in investment income due to lower interest rates of £169k, offset by additional income from strategic investments of £624k. A favourable net movement of £51k since period 4; • The Housing Benefit budget is notoriously difficult to predict and was compounded by a backlog of claims during the first quarter of the year. The backlog has now been cleared but resulted in overpayments being made and subsequent loss of subsidy. The suspension of the collection of previous overpayments during the first quarter of the year also added to the pressures. At period 6 there is a significant pressure on the net Housing Benefit budget (payments made, less subsidy and overpayment recovery) of £860k, an adverse movement of £56k compared to period 4, although there is a wide margin for error given the unknowns. It was considered prudent at the end of the last financial year to bolster the Housing Benefit Reserve by a figure of £500k and this will be drawn on as a minimum to alleviate some of the in-year pressure. A reserve contribution of £500k will reduce the pressure to £360k; • £203k relating to Trafford's share of the AGMA-wide Trafford Park Mortuary facility set up in response to the COVID-19 pandemic, no change; • £100k relating to Trafford's share of the increased costs of the South Manchester Coroners' service due to the COVID-19 pandemic, no change; • £50k saving relating to Members Allowances. This is due to the two current vacancies and both the Labour and Conservative Groups not taking the 2% pay awards for 2018/19 and 2019/20; • 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 £375k of these.
Dedicated Schools Grant	1.098	**Projected outturn variance £1.098m adverse, an adverse movement of £474k since period 4.** **De-delegated budgets - £8k favourable** - the £40k adverse

		movement is due to under spends on de-delegated budgets such as maternity and civic duties, lower than first expected. **Central Schools Services Block - £35k favourable** - the £40k favourable movement is due to the Primary Targeted budget not going to be fully spent (this saving will be ring fenced and carried forward for future years). **High Needs Block - £1.173m adverse** - expected spend has increased by £506k due to new and increasing Out of Borough (OOB) placements costs offset by reduced expenditure within SEN, Special Schools & Behaviour & Attendance. This over spend can be met from DSG reserves **Early Years - £32k favourable** - the underspend will be carried forward and allocated to early years settings in 21/22.

MTFP SAVINGS AND INCREASED INCOME

12. The 2020/21 budget is based on the achievement of permanent base budget savings and increased income of £10.055m (see paragraph 1 above). At this stage the latest forecast indicates that there is a projected shortfall in the savings programme of £1.72m, and this includes a number being affected by COVID-19. The movement since period 4 of £1.03m relates mainly to the Children's Placements savings target now being achieved in full, a £974k favourable movement.

RESERVES

13. The balance brought forward as at 1 April 2020 of usable reserves was £91.35m, including schools and capital reserves. In February 2020, a figure of £4.53m was agreed to help support the 2020/21 revenue budget.

14. In light of the budget pressures stemming from the impact of the COVID-19 pandemic a full review of all reserves has been undertaken with both service management and the Corporate Leadership Team. This was done primarily to identify balances which could be used to support any longer term financial impacts of the pandemic. In undertaking the review, close consideration has been given to the reasons the reserves are held and due regard has been placed on ensuring any remaining reserves remain sufficient to cover the range of risks faced by the Council. Full details of the review can be found in the draft budget report and a summary of the reserves can be seen in the table below.

Table 3	**Opening Balance 1/4/20**	**Balance 20/21**	**Balance 21/22**	**Balance 22/23**

Usable Reserves	£m	£m	£m	£m
Budget Resilience and Smoothing (*)	31.25	27.67	11.21	11.48
Strategic Priority	11.74	5.89	6.80	6.92
Corporate	2.05	(3.19)	0.32	0.00
General Reserve	7.00	7.00	7.00	7.00
Service Area Priorities	6.64	3.68	2.09	0.65
Earmarked Reserves	**58.68**	**41.05**	**27.42**	**26.05**
Capital Related Reserves	21.77	14.82	7.86	0.91
School Related Reserves	10.90	10.90	10.90	10.90
Total Usable Reserves	**91.35**	**66.77**	**46.18**	**37.86**

(*) The contribution to a general covid contingency reserve relating to the 4th tranche of the COVID-19 general support grant at £2.23m (see para 5) has not yet been reflected in the balances above.

TRANSFORMATION FUND

15. Due to the impact of COVID-19 on workloads the update on the delivery of the projects financed from Transformation Funding will now be provided in the period 8 monitoring report.

COLLECTION FUND

Council Tax

16. The 2020/21 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 2020 was £1.12m. At the time the 2020/21 budget was prepared, an estimated surplus of £1.466m was anticipated and used to support the budget. The effect of this will result in an overpayment being made by the Collection Fund which will be made good in 2021/22 by the three preceptors. Trafford's share is £285k and was set aside in 2019/20 in an earmarked reserve for this purpose.

17. During the first half of the year the challenges faced by COVID-19 have placed considerable pressure on the Council Tax Collection Fund and there is currently a forecast deficit of £5.94m caused by a fall of in year collection rates, an increase in Local Council Tax Support and higher than anticipated

application of discounts and reliefs. This is an improvement on the estimated deficit of £7.02m at period 4 and has been largely due to an increase in the collection rates from that seen during the first quarter.

18. The Council has received a Government sponsored COVID-19 Council Tax Hardship Grant of £1.56m which will be used to compensate the Collection Fund for the Hardship Cases and will reduce the in year deficit to £4.38m, of which the Council's share would be £3.58m.

19. Of the pressures being experienced, a figure of £5.77m can be attributed to COVID-19, consisting of Cash Collection pressures, increase in Council Tax Support Scheme and delays in new properties coming online. Although there has been an improvement in cash collection rates since period 4, there remains potential uncertainty in the projections due to the unknown impact of the changes in the Government Job Retention Scheme from October 2020 and the impact of the recent change to Tier 3 status for the Greater Manchester region.

20. It is also noted that there is an underlying pressure of £175k (Trafford's share is £144k) included in the projections relating to an increasing trend of properties attracting single person discount. Applications for these discounts are routinely investigated to confirm eligibility, however if the underlying pattern continues this recurrent pressure will need to be reflected in our future budget plans.

21. As at period 6 the forecast year end balance on the Council Tax Collection Fund is a deficit of £4.73m (£5.8m at period 4), consisting of an overpayment of £345k in the brought forward balance plus an in year shortfall of £4.38m. The Council's share of this is £3.87m, of which £284k has been identified in an earmarked reserve leaving a balance of £3.59m. As highlighted in paragraph 8, the Government announced changes, enabling local authorities to spread their tax deficits over three years rather than the usual one. This will reduce the financial impact of the COVID-19 related deficit, of which Trafford's share is £3.44m in 2020/21, to a neutral amount, however this will need to be recovered between the period 2021 to 2023.

Business Rates

22. The 2020/21 budget included anticipated growth in retained business rates, related S31 grants and redistribution of prior year surpluses of £11.35m. Projecting business rates is by its nature complex and prone to variation, in addition the impact of COVID-19 has added further uncertainty to the accuracy of projections, therefore only quarterly updates will be given throughout the year.

23. In order to support businesses with the impacts of COVID-19, the Government has provided various rate relief packages. The largest relief has been awarded to all retail and leisure sites who have been granted a 100% rates holiday until 31 March 2021. These reliefs, which are currently estimated at £89.9m, will result in an equivalent reduction in the rateable income paid

into the Collection Fund and therefore a substantial deficit in the current year. However, this loss will be fully compensated via a Section 31 Grant paid into the Council's General Fund.

24. The level of reliefs represents approximately 50% of the total rateable income with the remaining 50% largely relating to non-retail sites. The ability of both retail and non-retail businesses weathering the impact of COVID-19 will be unknown for some time, adding to the uncertainty in forecasting rateable income for the year. As mentioned in paragraph 22, the Council is compensated for the Government sponsored 100% retail rates relief. However, if there is a fall in retail occupancy due to an economic downturn during the year this may lead to an increase in vacant properties/insolvencies and a requirement to repay the grant.

25. During the first quarter of the year, all recovery and billing activity was suspended, which has added a further level of uncertainty in forecasting collection rates. Recovery activity has recently recommenced and will be used to inform collection rates over the remainder of the year. As a broad estimate, an assumption continues to be made that there will be a reduction in income from non-retail businesses of 5% over the year, resulting in a shortfall of £3.49m, as also reported in period 4. The Government has announced changes, enabling local authorities to spread their tax deficits over three years rather than the usual one. This will reduce the financial impact of the COVID-19 related deficit of £3.49m in 2020/21 to a neutral amount, however this will need to be recovered between the period 2021 to 2023.

26. The underlying Rateable Value (RV) provides a useful indication of the health of the rates baseline. In the financial year 2019/20, there continued to be significant volatility in the rating system as a result of a pattern of properties being converted to residential settings and this was reflected in a reduced RV when setting the 2020/21 budget. However, proposed new sites were added to offset some of this loss. The latest projections as at period 6 show the RV is approximately £700k above budget, which is a positive sign, however once again, the impact on the long term RV as a result of COVID-19 cannot be predicted at this stage.

27. For completeness, Business rates collection for this year as at 31 August 20 is 38.04% (compared to 48.57% for 19/20) and is because retail premises are not required to pay rates during 2020/21. Due to the impact of COVID-19, additional support measures were introduced by the Government in March 2020 to enable local authorities to offer financial support to local organisations to pay business rates. This included special payment arrangements to defer 2020/21 instalments until July 2020. This has had a direct impact on the collection rates for the first 6 months and is likely to continue for the rest of the year. The broad estimated shortfall in income, highlighted in paragraph 24, includes the impact on reduced collection rates.

Impact of COVID-19

28. As a result of the COVID-19 Pandemic, the Government has announced a number of packages to support businesses and to help local authorities respond to some of the underlying pressures in their local area.

29. Since the period 4 monitor, the Government announced a further set of support measures, including:

- A Contain Outbreak Management Fund – this scheme was announced at the time of drafting this period 6 monitoring report to support proactive containment and intervention measures. Payments will be made of between £1 per head of population to £8 per head depending on Local COVID-19 Alert Levels (Tier 1 to Tier 3). However with effect from 5th November, the national lockdown will in effect place all authorities in Tier 3 and with a population of 237,000, the Council will receive a grant of £1.899m. This grant and the estimated additional costs are assumed to be neutral in the forecasts at this stage; Detailed projections will be reviewed for inclusion in the next period monitoring report.
- On 12 October 2020, the Government announced a further £900m of support to Councils to meet additional COVID-19 related pressures over the winter period plus a further £100m support for Local Authority Leisure Centres. Trafford will receive a £2.234m share of the £900m allocation, however firm details of the Leisure Centre support have yet to be released. The general support grant has been included in the forecasts, however it will be used to contribute to a contingency reserve in the immediate term due to the uncertainty surrounding any potential increase in costs associated with a second wave.
- On 22 September 2020 the Prime Minister announced £60million will be made available to local authorities and the police to support additional compliance and enforcement activities. Of this £60million, £30million is being allocated to all district and unitary authorities including Metropolitan borough and London borough councils in England to spend on COVID-19 related compliance and enforcement activities. Trafford's share is £107k and has been included in the Place Directorate forecasts to offset the equal cost.

30. At the time of writing this report, many parts of the country are experiencing a significant increase in the rates of COVID-19 infections and with effect from 23 October 2020, Trafford moved to Tier 3 restrictions and along with the rest of the Country moved to national lockdown on 5th November. The financial impact of a second wave is difficult to forecast and will depend on many variables such as the length of time of a local lock down, including any potential for the closure of schools, the sectors affected and the impact on the local economy and consequent job losses. It is likely that the council will see further reductions in council tax collection rates, increases in applications under the Local Council Tax Support Scheme and additional impact on income from Sales, Fees and Charges as well as increased demand in services. The period 6 forecasts are largely based on assumptions made before the Tier 3 restrictions were announced. An exercise is currently ongoing involving knowledge sharing with other local authorities to determine an approach to future forecasting. Details will be provided in the next period monitoring report.

31. Whilst the Service Areas have reported their COVID-19 related pressures separately, the COVID-19 Support Grant (1st, 2nd and 3rd and 4th tranches) and Contain Management Outbreak Grant have been accounted for in Council-wide as a centrally held resource for monitoring purposes. Likewise, the estimated income of £3.562m from the Sales, Fees and Charges compensation scheme will also be accounted for in Council-wide. The Council Tax Hardship Grant along with the Rates Relief Grants are also accounted for in Council-wide, however these will be utilised to offset pressures felt within Council Tax and Business Rates in the Collection Fund.

32. The net pressures being felt in 2020/21 have been detailed in the service narratives and a summary is shown in Table 1, along with the grant funding, CCG and earmarked reserves contributions, with the remaining balance being the subject of ongoing discussions with Government Departments in meeting the substantial and ongoing impact in 2020/21.

Table 4 – Impact of COVID-19 on Services	**Period 4 2020/21 £000**	**Period 6 2020/21 £000**	**Change P6 to P4 £000**
Estimated Gross Service Pressures	36,556	43,277	6,721
Estimated Funding Pressures (Council Tax and Rates)	9,022	8,205	(817)
Gross COVID-19 Pressures	**45,578**	**51,482**	**5,904**
CCG contribution – PPE – Adults Services	(490)	(435)	55
CCG contribution - Hospital Discharges	(7,357)	(8,883)	(1,526)
Infection Control (Care Homes) Grant	(2,270)	(4,246)	(1,976)
Public Health – Test and Trace Grant	(1,157)	(1,457)	(300)
Council Tax Hardship Grant	(1,277)	(1,277)	0
Total Specific Grants and Recharges to CCG	**(12,551)**	**(16,298)**	**(3,747)**
COVID-19 Support Grant 2nd Tranche	(6,539)	(6,539)	0
COVID-19 Support Grant 3rd Tranche	(1,814)	(1,814)	0
COVID-19 Support Grant 4th Tranche	0	(2,234)	(2,234)
Contain Management Outbreak Grant		(1,899)	(1,899)
COVID-19 Support SFC Income Loss Support	(3,000)	(3,562)	(562)
Total Government Support	**(11,353)**	**(16,048)**	**(4,698)**
COVID-19 Support Reserve (Bal of 1st Tranche held in reserve)	(4,722)	(4,722)	0
Strategic Investment Property Risk Reserve (*)	(900)	(900)	0

Council Tax Deficit removed and recovered 2021 onwards	(4,257)	(3,440)	817
Business Rates Deficit removed and recovered 2021 onwards	(3,488)	(3,488)	0
Total Reserves and Funding Contribution	**(13,367)**	**(12,550)**	**817**
Net COVID-19 Pressures 2020/21	**8,307**	**6,586**	**(1,721)**

(*) The use of the Strategic Investment Property Reserve is the estimated cost of COVID-19 related pressures within the Strategic Investment Property Portfolio held within the Place Directorate.

Net COVID-19 related pressures are estimated at £6.586m at period 6 (£8.3m at period 4), these have been offset to a degree by favourable movements across other services to arrive at a net overspend of £220k.

CAPITAL PROGRAMME

Approved Budget

33. The original general Capital Programme for 2020/21 approved in February 2020 was £62.77m, and with the addition of the net slippage from 2019/20 of £27.15m this increased the revised programme for 2020/21 to £89.92m. As part of the period 4 monitoring process a review of the planned expenditure to reflect the impact of COVID-19 was undertaken, along with a review of the historic slippage and any changes in the level of forecast receipts. As a consequence of these reviews, the programme was re-aligned to a level that could be expected to be realistically delivered within the 2020/21 financial year. This resulted in a revised indicative 2020/21 general Capital Programme of £42.80m. There is also £139.35m for the Asset Investment Fund phased for 2020/21. Following the period 6 monitoring process the revised forecast general programme for 2020/21 is currently £41.63m, which is a net reduction of £1.17m as outlined below:

Table 5 - Capital Investment Programme 2020/21	Approved Programme £m	Changes £m	Current Programme £m
Service Analysis:			
Children's Services	8.64	-	8.64
Adult Social Care	1.84	(0.05)	1.79
Place	29.98	(1.16)	28.82
Governance & Community Strategy	0.08	-	0.08
Finance & Systems	2.26	0.04	2.30
General Programme Total	**42.80**	**(1.17)**	**41.63**
Asset Investment Fund	139.35	-	139.35
Total Programme	**182.15**	**(1.17)**	**180.98**

34. **Amendments to General Capital Programme**

Changes to existing budgets – £(110)k

- Altair – £(110)k – Final settlement of the land assembly element of this scheme has now been agreed.

Re-profiling of Budgets to Future Years £(1.10)m

<u>Adult Social Care</u>

- Right Care for you – £(50)k – This work is adaptation based within people's homes, due to the current situation around COVID-19 the ability to get access to assess and carry out works is limited;

<u>Place</u>

- Trafford Waters £(720)k – Peel who are undertaking the work have provided a revised programme of works that is now due to commence early in 2021;
- Ascot House – £(100)k – This property is currently being used for delivery of services linked to COVID-19 which has resulted in limited

access to the site. Work is currently underway to complete designs for the scheme with work likely to commence in the New Year;

- Borough-wide – Boundary/Village Entry Signs £(30)k - There is currently a review of where these are to be installed and at the moment there are supply issues getting hold of the stock needed;
- Electric Vehicle Charging Points – £(200)k - Work is currently being undertaken to develop a strategy around the location of the EV charging points;
- Assistance to Owner Occupiers – £(50)k – These are capital grants to home owners for adaptations but with the current COVID-19 situation assessments have been delayed.

Works to be delivered ahead of schedule assumed at period 4, £93k

<u>Place</u>

- Parks Infrastructure – £5k;
- Highways Infrastructure – £46k.

<u>Finance and Systems</u>

- ICT Service and Infrastructure - £42k.

35. 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 2020/21	**Approved Programme £m**	**Changes £m**	**Current Programme £m**
External:			
Grants	17.27	0.56	17.83
Contributions	3.21	(1.14)	2.07
Sub-total	**20.48**	**(0.58)**	**19.90**
Internal:			
Receipts requirement	6.02	(0.31)	5.71
Borrowing	154.99	(0.20)	154.79
Reserves & revenue contributions	0.66	(0.08)	0.58
Sub-total	**161.67**	**(0.59)**	**161.08**
Total Resourcing	**182.15**	**(1.17)**	**180.98**
Forecast Capital Receipts	**1.91**	**-**	**1.91**
Shortfall in Capital Receipts	**(4.11)**	**0.31**	**(3.80)**

36. The land sales programme is under continuous review with an active programme of work to dispose of assets to realise receipts as soon as possible at an appropriate value to assist with the funding of the capital programme. Currently within the overall capital programme over the three year period until 2023/24 there is an anticipated deficit of £2.74m. This level has not changed since the period 4 monitor but it is to be noted that there are a number of pressures on receipts from both straight forward disposals and self-development schemes that will continue to be monitored and will be reflected within the programme as more certainty is reached. Clearly a deficit of this level will factor into the assessment of the current bidding round for new capital programmes and also inform any level of short term borrowing required to maintain the current programme.

37. It is currently anticipated that the 2020/21 capital receipts will be £3.80m below those levels required within this financial year. 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.

38. If there is no re-phasing of schemes funded by receipts or capital receipts are not realised in advance of what is currently assumed, there will potentially be the requirement for short term borrowing to fund this deficit for the next two years. This would have an additional revenue costs of approximately £220k not currently budgeted for. This carries a risk that if receipts are not realised over the longer period, or at all, then borrowing will then need to be paid for on a longer or more permanent basis and will result in a revenue budget pressure in the Medium Term Financial Plan.

39. Work is currently being undertaken to see if any properties currently within the Land Sales Programme can be sold in advance of current assumptions. This is to assist with the current in year shortfall in receipts and reduce the need for short term borrowing.

Status and progress of projects

40. 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 2020/21 Projects	**Current Budget £m**	**Percentage of Budget**
Already complete	19.29	46%
On site	14.65	35%
Programmed to start later in year	6.03	15%
Not yet programmed	1.66	4%
Total	**41.63**	**100%**

41. 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 £39.97m (96%) of the budget has now been committed or is programmed to start in the year.

42. Currently within the main capital programme, there have not been any specific schemes identified that will have a significant impact on the forecast levels of delivery and the current capital receipts position. This is under constant review with service areas and any issue that arise will be reported here.

ASSET INVESTMENT PROGRAMME

43. In February 2020 approval was given to increase the Asset Investment Fund to £500m, supported by prudential borrowing, to support the Council's Investment Strategy. The transactions that have been agreed by the Investment Management Board to date have a total committed cost of £377.10m. The facility agreement at The Crescent (£44.26m anticipated outlay) is due to be repaid this year, meaning the balance of the approved £500m which is available for further investment is £167.16m (Table 8). These investments are forecast to generate a net benefit to the revenue budget this year of £7.43m

Table 8 : Asset Investment Fund	Prior Years £m	2020/21 £m	Commitment £m	Total £m
Total Investment Fund				***500.00***
Cost				
K Site, Stretford:-				
Equity in Trafford Bruntwood LLP	10.69	0.21	1.35	12.25
Development Loan to Bruntwood	10.69	0.21	1.35	12.25
Sonova House, Warrington	12.17			12.17
DSG, Preston	17.39			17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	10.84			10.84
Trafford Magistrates Court	4.10			4.10
The Fort, Wigan	13.93			13.93
Sainsbury's, Altrincham	25.60			25.60
Brown Street, Hale	3.34	0.54	3.61	7.49
The Crescent, Salford (*)	39.67	4.59	(44.26)	0
CIS Building, Manchester	60.00			60.00
Stretford Mall & Stamford Qtr				
Stretford Mall, Equity	8.82			8.82
Stamford Quarter, Equity	16.69			16.69
Acquisition Loan to Bruntwood	25.57			25.57
The Hut Group		25.00	42.50	67.50
Former sorting office, Lacy Street, Stretford	0.86		0.10	0.96
Various Development Sites	0.29	0.37		0.66
Castle Irwell, Salford	0	0	19.00	19.00
Total Capital Investment	**260.65**	**30.92**	**23.65**	**315.22**
Albert Estate Treasury Investment	17.62			17.62
Total Investment	**278.27**	**30. 92**	**23.65**	**332.84**
Balance available				**167.16**

44. This year there are two new development loan facilities, agreed at Investment Management Board. These include an early drawdown of the agreed debt facility for the Hut Group to support new regeneration, including a new logistics and office facility near Manchester Airport and a facility to support a regeneration scheme at Castle Irwell in Salford. This will include a new residential development and support the development of 157 houses to be undertaken by the developer Salboy.

45. There are a number of self-development schemes that are currently being undertaken to generate resources to support the capital programme. There is

significant progress being made on these. Below is an update on the current schemes either currently on site or where progress has been significantly made;

- <u>Brown Street</u>
  This scheme is on site and is progressing well, it is still anticipated that completion of the 10 townhouse and 12 affordable apartments will be in June 2021. As with all schemes of this nature particularly with the impacts of COVID-19 and the original contractor going into administration there have been additional cost pressures identified. These are currently being assessed and managed to mitigate where possible but it is inevitable that some of these costs will increase the overall expenditure within the scheme. Currently there are potential increases as a result of issues with services to the site, rectification of previous contractor work and issues around fire safety within the buildings and car park which along with a number of smaller issues potentially could increase costs by £300k. In terms of the receipts from the scheme Novo, the current contractor, have appointed a marketing and sales officer to assess that value and have indicated that at least an additional £150k could be achieved. This is also supported by a RICS valuation. If realised this will assist in mitigating some of the cost increases. Currently the scheme is forecasting a return of £1.1m which is an Internal Rate of Return (IRR) of £13%, which is a reduction from the £1.3m reported in Period 4;
- <u>Sale Magistrates</u>
  After a procurement process, Seddons were selected as the Council's preferred contractor and have been working with the authority with the aim of applying for planning approval later this year. Work is now ongoing to produce a revised financial model for the scheme but it is expected that this will still be delivered within the current assumptions in the capital programme, with a development return of £3.0m which is an IRR OF 13%.

Issues / Risks

46. 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

47. It is recommended that that the Executive:

    a) request Council to approve the an increase to the net Revenue Budget of £261k to £175.52m as detailed in paragraph 2

    b) note the updated positions on the revenue budget, collection fund and capital programme.

Appendix 1

Service Review/Virements	Children's (£000's)	Adults (£000's)	Place (£000's)	Strategy & Resources (was People & Traded Services) (£000's)	Finance & Systems (£000's)	Governance & Community Strategy (£000's)	Council -wide (£000's)	Total (£000's)
Period 4 Report	**41,920**	**61,410**	**29,284**	**5,066**	**7,812**	**6,391**	**23,378**	**175,261**
Public Health Grant increase		261						261
Virements:								
0.75% Pay Award	222	103	56	39	97	58	(575)	0
Council meeting streaming costs					(9)	9		0
Total movements	**222**	**364**	**56**	**39**	**88**	**67**	**(575)**	**261**
Period 6 Report	**42,142**	**61,774**	**29,340**	**5,105**	**7,900**	**6,458**	**22,803**	**175,522**