TRAFFORD COUNCIL

Report to: **Executive**
Date: **27 July 2015**
Report for: **Information**
Report of: **The Executive Member for Finance and the Director of Finance**

Report Title:

Revenue Budget Monitoring 2015/16 – Period 3 (April to June 2015).

Summary:

The approved revenue budget for the year is £148.914m. The forecast for the end of the year, as projected following three months of activity, is £149.203m being a net overspend of £0.289m, 0.2% of the budget.

The main areas of budget variance are summarised as follows:

Activity	**Forecast £m**
Children's client care packages	1.0
Adults client care packages	1.2
Rephased base budget savings	0.3
Vacancy management	(0.9)
Running costs	(0.7)
Treasury Management	(0.7)
Business Rates (Council-wide budget)	(0.2)
Income	0.3
Forecasted outturn	**0.3**

Reserves

The opening balance of the General Reserve was £(7.9)m, and after taking into account approved use and commitments, and the Council-Wide budget outturn, the forecasted closing balance is £(7.5)m, which is £(1.5)m above the Council established minimum level of £(6.0)m.

In addition, the net service carry forward reserves at the beginning of the year was £(3.6)m, and after taking into account planned use and commitments together with the service Directorates' outturn, the forecasted closing balance is £(0.9)m in surplus.

Council Tax

The surplus brought forward of £(0.8)m, will be increased by an in-year forecast surplus of £(0.9)m. After taking account of the planned use of £0.4m to support the base budget and another £0.1m for backdated valuation and discount appeals, the total surplus forecasted to be carried forward is £(1.2)m. The Council's share of this surplus is £(1.0)m, and is planned to support future budgets in the MTFP.

Business Rates

The latest projection as at 30 June 2015 shows an overall reduction in retained business rates for 2015/16 of £0.084m. This includes an in-year business rate growth shortfall of £0.249m, which will impact on the Council's resources (that pays for the budget), partly offset by an increase in income within the Council-wide budget of £(0.165)m (see paragraph 13 below).

Recommendation(s)

It is recommended that:

a) the latest forecast and planned actions be noted and agreed.

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 expenditure to be been contained within available resources in 2015/16.
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
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	Not applicable
Health and Safety Implications	Not applicable

Director of Finance:……ID………………

Head of Legal Service (Community) ……HAK……

Budget Monitoring - Financial Results

1. The approved budget agreed at the 18 February 2015 Council meeting is £148.914m. Based on the budget monitoring for the first 3 months of the year, the overall forecast for the year is £149.203m, being an overspend of £0.289m, 0.2%.

2. The details of service variances can be found in Annexes 1 to 3, and for Council-Wide, Annex 4:

Table 1: Budget Monitoring results by Directorate	**Year end Forecast (£000's)**	**Percent-age %**	**Annex**
CFW – Children's Services	1,034	3.7%	1
CFW – Adult Social Services	433	0.9%	1
CFW – Public Health	0	0.0%	1
Economic Growth, Environment & Infrastructure	(245)	(0.8)%	2
Transformation & Resources	(84)	(0.5)%	3
Total Service Variances	**1,138**	**0.9%**	
Council-wide budgets	(849)	(3.6)%	4
Estimated outturn variance (period 3)	**289**	**0.2%**	

CFW – Children, Families & Wellbeing

Table 2: Budget Monitoring results by Executive Portfolio Holder	**Year end Forecast (£000's)**	**Percent-age %**
Children's Services	1,034	3.7%
Adult Social Services	433	0.9%
Community Health & Wellbeing	0	0.0%
Environment & Operations	(175)	(0.6)%
Economic Growth & Planning	(70)	(1.5)%
Communities & Partnerships	45	1.7%
Transformation & Resources	(23)	(0.2)%
Finance	(955)	(3.4)%
Estimated outturn variance (period 3)	**289**	**0.2%**

Main Variances

3. The key variances contributing to the projected overspend of £0.289m are:

- £1.034m in Children's Services - increase in client care package costs, £1.044m, shortfall in Adoption income, £0.155m, Home to School transport cost savings, £(0.100)m and Early Years Public Health commissioning savings of £(0.065)m;
- £1.196m increase in Long Term and Short Term client costs within Adult Services;

- £(0.615)m saving relating to vacant posts across Adult Care Management teams;
- £(0.148)m other net savings across Adult Services;
- Treasury Management: Dividend of £2m from Manchester Airports Group (MAG) which is £(0.648)m above budget, £(0.034)m increased investment interest from favourable cash flows and a reduction in loan interest payable of £(0.011)m;
- Business Rates £(0.165)m (see paragraphs 12 to 14 below);
- A net favourable variance across the EGEI Directorate of £(0.245)m relating to savings in running costs, £(0.214)m and staffing costs, £(0.128)m, partly offset by a net adverse variance in income of £0.097m;
- A net favourable variance across the T&R Directorate of £(0.084)m relating to a delay in savings of £0.283m and income of £0.015m, offset by savings in staffing costs, £(0.245)m and running costs, £(0.137)m;
- Other net variances of £0.009m.

MTFP Savings and increased income

4. The 2015/16 base budget, or permanent budget, is based on the achievement of permanent base budget savings and increased income of £(21.584)m.

5. The following table summarises the overall forecasted achievement of the total base budget savings target; noting the potential shortfall and proposed action to mitigate this shortfall in 2015/16:

Table 3: Base budget savings	**Total (£000's)**	**Total (£000's)**
Total Savings delivered or in progress	(21,092)	
Budget savings required	(21,584)	
Total Net Shortfall		**492**
Shortfall Detailed by Directorate		
Shortfall against savings target within T&R		
• Libraries	154	
• ICT Procurement	68	
• ICT Other	61	
Total shortfall within T&R		**283**
Shortfall against savings target within CFW		
• LD Re-negotiation of Contracts	287	
• LD Supported Living	3	
• Voluntary and Community Sector	38	
• Reshaping Trafford	418	
• Mental Health – review of packages	100	
• Market Management	85	
Total shortfall within CFW		**931**

Over achievements against savings target in CFW		
• Home to School Transport	(100)	
• LD – Acceleration of Re-Tendering	(152)	
• LD – Ordinary Residence	(16)	
• LD – Care Package Review	(411)	
• LD – Development Fund	(5)	
• Commissioning – Review of non-mandatory services	(38)	
Total over achievement within CFW		**(722)**
Total Net Shortfall		**492**
To be Met by :-		
Utilisation of Savings Slippage Contingency (see paragraph 6 below)		(85)
T&R reserve or mitigated by in year savings in 15/16		(283)
CFW reserve or mitigated by in year savings in 15/16		(124)
Total		**(492)**

6. The original budget for 2015/16 included a one off allowance of £0.700m as a general contingency to cushion against possible slippage in the delivery of the significant savings programme in 2015/16. To date £0.140m of the £0.700m has been released to cover savings slippage pressures related to Market Management £0.085m,plus £0.055m for Gorse Hill Studios. The remaining balance of £0.560m, held within the Council-wide budget, will be allocated if and when required during the year.

7. Approximately 97.7% of base budget savings have been or are forecasted to be delivered:

   - Of the £0.492m net shortfall, there is a gross shortfall of £0.283m relating to T&R and £0.931m to CFW; the CFW figure has been reduced by £(0.722)m as a result of over achievements in other savings targets. A contribution has been made of £0.085m from the savings slippage contingency leaving a balance of £0.407m to be met from either service carry forward reserves, alternative savings or progressed through the Directorates' medium term financial plan accordingly.

Council Tax

8. The brought forward surplus on the Council Tax element of the Collection Fund of £(0.773)m has shared ownership between GM Fire & Rescue Authority and Police & Crime Commissioner, as well as the Council.

9. After three months of activity, the total Council Tax in-year surplus is forecasted at £(0.853)m, with the Council's share of this being £(0.711)m. After taking account of the planned application to support the 2015/16 budget, £0.357m, and reductions as a consequence of back-dated valuations and awards of

discounts or exemptions of £0.101m, the end of year total balance is forecasted at £(1.168)m, of which the Council's share is £(0.975)m.

Table 4: Council Tax surplus	Overall		Trafford	
	£(000's)	£(000's)	£(000's)	£(000's)
Surplus brought forward		**(773)**		**(649)**
Changes in Band D equivalents	(326)		(274)	
Empty Homes Premium	(123)		(104)	
Council Tax Support Scheme	(404)		(333)	
In Year Surplus		**(853)**		**(711)**
Banding valuations & discounts	101		85	
Increase in Bad Debt Provision	0	**101**	0	**85**
In-year application of surplus		**357**		**300**
Forecasted surplus carry forward		**(1,168)**		**(975)**

10. The numbers of those in receipt of Council Tax Support continues to fall with a 1% reduction in the first quarter. In addition, in an effort to attract incentive funding from DWP, several targeted pro-active interventions on unreported changes of circumstances have taken place reducing Council Tax Support.

11. There has also been a growth in the tax base and an increase in the empty homes premium. However, this initiative cannot be guaranteed in the future as the purpose of the policy is to discourage empty properties and to encourage bringing them into the housing market. Back dated valuations and discounts continue to be an issue but levels have reduced considerably relative to the same period in 2014/15.

Business Rates

Table 5: Calculation of Business Rates Income 2015/16	Original Estimate £000's	Projection £000's	Variance £000's
Net Yield	**(161,238)**	**(160,728)**	**510**
Local Share (49%)	(79,007)	(78,757)	250
Less Tariff (Set by Government)	44,142	44,142	0
Retained Rates	**(34,865)**	**(34,615)**	**250**
Government Baseline	(33,054)	(33,054)	0
In Year Growth	**(1,811)**	**(1,561)**	**250**
Add Section 31 Grants	(1,663)	(1,786)	(123)
Total Income subject to Levy	**(3,474)**	**(3,347)**	**127**
Deduct Levy @ 50%	1,737	1,674	(63)
Net Income	**(1,737)**	**(1,674)**	**63**
Add Levy Rebate	(579)	(558)	21
Net Retained Income	**(2,316)**	**(2,232)**	**84**

12. The forecast of business rate yield included on the NNDR1 form 2015/16 submitted to DCLG in January included for a net yield of £161.238m, which represents an increase over the baseline target set by the Government of £3.696m. Trafford nominally retains 49% of this growth, with 50% paid to the

Government and 1% paid to the Fire and Rescue Authority. The Council is normally required to pay a levy to the Government of 50% of any growth; however in 2015/16 the Council agreed to join a business rate pool with the other AGMA districts and Cheshire East which means any levy payments are retained within the pool for the benefit of the area. In respect of any levy paid by the Council (into the Pool) it has been agreed with the other Pool members that the Council can retain one third for its own use.

13. Business rates are monitored during the course of the year and take into consideration quarterly updates from the Valuation Office Agency on outstanding and settled appeals. The calculation of retained business rates is both complex and volatile due to the amount of variables, including impact of settled appeals, take up of discounts and other changes to overall rateable values and as the year progresses more reliable projections can be made.

14. The latest projections as at 30 June 2015 are shown in the following table and show an overall reduction in retained business rates for 2015/16 of £0.084m compared to budget and this is summarised as:

    - In year business rate growth forecasted to be down by £0.249m at £(1.562)m caused by additional cost of empty property exemptions in the first quarter, in part offset by growth. Empty property exemptions tend to be cyclical in that they last for three or six months and this position will be monitored throughout the year but will not affect the resourcing of the 2015/16 budget as any surplus or deficit is carried forward to later years' budgets;
    - Increase in Section 31 grant income of £(0.123)m to £(1.786)m due to additional costs of the small business rate and retail reliefs. This has a benefit to the 2015/16 budget because S31 grants are accrued during the financial year to which they relate. (Item A);
    - Overall reduction in the cost of the levy due to the updated growth forecast £(0.063)m (Item B);
    - Reduction in the AGMA pool rebate £0.021m. (Item C);
    - Impact on 2015/16 – sum of items A to C, £(0.165)m, but needs to be retained to make good any overall deficit for the year, and is included in the Council-wide projection in Annex 4.

Public Health

15. The Government announced on 4 June 2015 that it was seeking in-year public expenditure reductions of £3.1 billion. This included an amount of £200 million in respect of Public Health. This reduction of £200m nationally is to be subject to consultation and this would equate to a reduction of 7.4% if shared equally across LA's. On the basis of the current Public Health grant of £(10.828)m, this would be an in-year reduction for Trafford of £801k. We need to await the consultation process and its outcome before any decisions are made on how this will be managed locally.

Leisure Trust

16. Members will be aware from the last Council meeting that the current agreement with Trafford Leisure Trust will lapse on 1st October 2015. Options regarding the service delivery model e.g. in-house, company etc. are being evaluated together with potential financial implications. Given the timescales a decision will be made shortly and any financial implications will be included in future budget monitoring reports.

Reserves

17. The pre-audited General Reserve balance brought forward is £(7.9)m, against which there are planned commitments up to the end of 2015/16 of £1.2m. The addition of the Council-Wide underspend of £(0.8)m provides for a projected 31 March 2016 balance of £(7.5)m, being £(1.5)m above the approved minimum level of £(6.0)m:

Table 6 : General Reserve Movements	**(£000's)**
Balance 31 March 2015 (subject to audit confirmation)	**(7,871)**
Commitments in 2015/16:	
- Planned use for 2015/16 Budget	1,000
- Planned use for one-off projects 2015/16	200
- Council-wide budgets underspend	(849)
Balance 31 March 2016	**(7,520)**

18. Service balances brought forward from 2014/15 were a net £(3.642)m. After planned use to support one-off projects and adjusting for the estimated outturn, there is a projected net surplus of £(0.928)m to be carried forward to 2016/17 (Table 7).

Table 7: Service balances	**b/f April 2015 (£000's)**	**Forecast Movement in-year (£000's)**	**Forecast Balance (£000's)**
Communities, Families & Wellbeing	(403)	1,664	1,261
Economic Growth, Environment & Infrastructure	(1,738)	687	(1,051)
Transformation & Resources	(1,501)	363	(1,138)
Total (Surplus)/Deficit	**(3,642)**	**2,714**	**(928)**

Recommendations

19. It is recommended that the latest forecast and planned actions be noted and agreed.

ANNEX 1

TRAFFORD COUNCIL

Report to: CFW Senior Leadership Team
Date: 23rd July 2015
Report for: Discussion
Report author: CFW Finance Managers

Report Title:

Revenue Budget Monitoring 2015/16 – Period 3 (April 2015 to June 2015).

1 Outturn Forecast Based on Period 3

1.1 This is the first CFW Directorate Monitoring Report for 2015/16 and reflects variances against the budget as approved by the Council. Being the first monitoring report of the financial year means that forecasts to 31 March can be more difficult to make, particularly in demand-led services such as social care. As the year progresses forecasts will naturally be refined and kept under review.

Budget Virements in 2015/16

1.2 There have been some changes to the Adult Social Care budget since it was set in February 2015.

1.3 Budget virements have been actioned for the following areas:

- Transfer of Commissioning staffing budget into Adult Social Care from Children's services to create a single combined service - overall £nil effect.
- Transfer of Client Finance Resource to Exchequer Services (T&R) - reduction of £0.600m
- Re-alignment of Public Health Budgets to reflect 2015/16 spending plans – overall £nil effect.
- Re-alignment of client care budgets to reflect the new national reporting requirements following a Zero Base Review. The main changes are outlined in Appendix 3.

  Details regarding changes arising from the integration of social work teams with health teams as part of the move to more joined-up working are still to be reflected. Budget virements relating to these changes will be reflected in Period 4 reporting.

1.4 The impact of these changes has resulted in a revised Adults budget of £47.907m. The virements have been fully reflected in the monitoring information presented in this report.

1.5 Since the budget was set, the Children's Services budget has been increased by a one off amount of £0.055m, to support the transition of the Gorse Hill Studios provision to a Community Interest Company. This has been financed from the central provision to assist with slippage in savings.

Revenue Budget

1.6 The total revenue budget for the year for CFW is £75.973m. The projected outturn is currently forecast to be £77.440m, which exceeds the budget by £1.467m (1.9%). This is on the basis of a projected overspend on CFW Children Services of £1.034m and £0.433m on CFW Adults.

2 Explanation of Variances

2.1 The main forecast outturn variances are summarised below, with more detail at Appendix 1.

The overall adverse variance for Children's Services is £1.034m and is analysed below.

(a) Children's Social Services (including Children with Complex Needs) - £1.199m adverse variation from budget

(i) There is a forecast overspend of £1.041m, on client care packages as analysed in the table below. The main variances are in respect of external children's homes and agency foster care. The increases in cost are due to a combination of demographic growth and the complexity of need of children in care with more children requiring high cost specialist placements. £0.765m of the projected variance relates to external children's homes even though this is as a result of only an increase of 4.5 placements over the year which illustrates the volatility of this particular budget. There is also an adverse variance of £0.180m on agency foster placements which equates to 6 placements; this reflects a national trend following high profile reports into major failings in the system e.g. Rotherham.

(ii) Robust management action is in place to scrutinise each individual placement to ensure it is appropriate to meet needs. We are also exploring collaborative ways of managing the external market as costs have increased substantially due to the increased demand for places. We have implemented a new 'Keeping Families Together Strategy' that will support children and young people to remain at home.

Service	Budget Service Users	Budget Average weekly cost	Gross Budget	Actual Service Users	Average weekly cost	Actual Gross Forecast	Variance Service Users	Variance Gross Forecast
	No.	£	(£000's)	No.	£	(£000's)	No.	(£000's)
Welfare secure	0.3	5,054	90	0.8	2,137	90	0.5	0
External Children's Homes	5.6	3,002	879	10.1	3,140	1,644	4.5	765
Agency foster care	32.9	880	1,513	38.9	838	1,693	6.0	180
In-house foster care	94.7	317	1,570	89.7	321	1,498	-5.0	-72
Family and friend foster care	112.0	217	1,271	108.6	234	1,322	-3.5	51
Asylum seekers	0.0	0	0	0.0	0	0	0.0	0
Special Guardianship	29.0	151	229	29.8	153	237	0.8	8
Assisted Residence Allowances	24.0	106	133	21.5	110	123	-2.5	-10
Aftercare	n/a		381	n/a		467	n/a	86
Supported Lodges	n/a		325	n/a		333	n/a	8
Youth Homeless	n/a		193	n/a		229	n/a	36
Adoption	13.0		923	13.0		912	0.0	-11
CAN respite	2.5	1,920	251	2.5	1,920	251	0.0	0
CAN long term care	4.4	2,423	553	4.4	2,423	553	0.0	0
CAN Home from Home	n/a		239	n/a		239	n/a	0
CAN Direct payments/personalisation	n/a		389	n/a		389	n/a	0
Total			**8,939**			**9,980**		**1,041**

(b) **Adoption**

There is a projected shortfall in adoption income of £0.155m. It has now become apparent that in the North West the number of recruited adopters is exceeding the number of children awaiting adoption. This resulted from a legal judgement that placed a greater emphasis on a child returning home or to family members prior to consideration of adoption. We are currently developing an expression of interest with neighbouring authorities for a Regional Adoption Agency in line with national policy.

(c) **Home to School Transport – favourable variance £(0.100)m**

The new contractual arrangements for the 2015/16 academic year are projected to save an additional £(0.100)m in addition to recent savings targets and demographic pressures.

(d) **Running Costs Across Children's Services £(0.065)m favourable**

This relates to a projected saving in commissioned services.

The overall variance for Adult Services is £0.433m adverse and the main variances are analysed below:

Adults and LD Pool

i) Long Term and Short Term client costs - £1.196m adverse. There is a projected pressure of client costs of £3.219m compared to budget. This projection is based on the current portfolio client recorded on the new Liquid Logic system, plus expected Transition costs in year of £1.8m. This has been offset by an expected saving of £(2.023)m to be made against client costs based on Transformation projections. The schedule of assumed savings to be realised for the remainder of the year is included in Appendix 2. The Liquid Logic / Controcc system is a new basis of reporting and further analysis of the client cost projection is being undertaken, which is referred to in section 3.2.

ii) Assistive Technology and Equipment - £(0.030)m favourable**.** Reduction in Community Alarm costs offset by increased Telecare costs.

iii) Social Care Activities – Care Management - £(0.615)m favourable**.** The favourable variance is due to vacant posts across Care Management and other teams across the service.

iv) Information and Early Intervention - £(0.089)m favourable**.** Vacant posts in Benefits Advice team offset by residual contract costs in CAB.

v) Commissioning and Service Delivery - £(0.094)m favourable**.** Commissioning restructure savings of £(0.086)m and Drug and Alcohol team savings of £(0.008)m.

vi) Non-Adult Care - £0.020m adverse**.** Additional contribution for Supporting People and reduced income from Adaptations.

Further details on the above variances are included in Appendix 1.

Public Health

The Public Health budget is financed by a ring-fenced grant. Under the terms and conditions of the grant this must be used for defined Public Health purposes and the current projection is spend will be in line with budget. Any underspend on the grant, should it arise, would be carried forward to 2016/17 for use on Public Health related services.

An announcement of a proposed in-year budget reduction for Public Health was made by the Government in June 2015. The reduction of £200m nationally is to be subject to consultation and this would equate to a reduction of 7.4% if shared equally across LA’s. On the basis of the current Public Health grant of £(10.828)m, this would be an in-year reduction for Trafford of £0.801m. We need to await the consultation process and its outcome before any decisions are made on how this will be managed locally.

3. Forecasting, Assumptions and Risk

3.1 2015/16 Base Budget Savings

The Council's overall budget for 2015/16 includes £(21.584)m of savings of which £(15.612)m relates to CFW. The table in Appendix 2 shows the current assumptions made regarding the delivery of in-year savings targets within the forecasts set out in this report.

The current projection is that against the target of £(15.612)m, savings of £(15.675)m will be made, representing an overachievement of £(0.063)m. This comprises a projected over-recovery of savings within Children's services of £(0.100)m and an under-recovery in Adults' services of £0.037m.

The forecast saving for 2015/16 includes savings of £(0.764)m, which were generated by actions undertaken in 2014/15.

The breakdown of the projections for individual initiatives is included in Appendix 2.

3.2 Care Packages

This is the first monitoring report of the financial year and follows two important changes in relation to the reporting of client care package activity. The first change is the full adoption of the national changes in reporting of client costs under the Zero Base Review. This means familiar heading such as Older People, Learning Disability etc. will not appear in this high-level monitoring report; further details of these changes are summarised in Appendix 3. The original client cost budgets for 2015/16 have been translated into the new Zero Base Review budgets, albeit the overall quantum of client cost budget is as originally set.

The second change is that a new basis of financial reporting has been introduced following the implementation of the Liquid Logic client record system and the associated financial modules under Controcc. This was one of the recommendations made in the budget monitoring investigation report. A considerable amount of effort has been made to bring the system into being and it is a major change for budget holders and other staff involved in the budget monitoring process. There are already benefits arising from the system although in these early days the main focus is on ensuring the information and reporting is robust following the data migration process.

The total budget for Long Term and Short Term client costs is £39.5m which represents 82% of the total CFW Adults budget of £47.9m. The total number of on-going services provided to clients is around 3,685, though this will fluctuate on a monthly basis. Details of these are shown in Appendix 4

The Liquid Logic / Controcc system will give speedier and more flexible reporting and its potential will be developed over the coming months.

3.3 **Transition Costs**

Transition is the movement of clients from Children's services into Adults and the main costs are in respect of the Learning Disability service. The additional budgetary provision for transition for 2015/16 was £0.876m. In addition unused provision carried forward in the budget from 2014/15 was circa £1.54m, which leaves a total provision for 2015/16 of £2.416m. A review of expected transition costs will be undertaken on a monthly basis and any change in expected costs over the year will be reported. For Month 3 reporting the assumption made is that Transition costs for 2015/16 will be £(0.600)m underspent in year against the budget which reflects the initial analysis of Transition costs. The position on transition is volatile and will be monitored as the year progresses. The forecast will reflect any decisions made as they are confirmed regarding extended education funding which isn't due until period 3/4 reporting . Any revision to this assumption will be reported at future meetings.

3.4 **Direct Payment Clawback**

Some clients receive payments directly to purchase their own care packages to meet their needs. Experience shows that at the year end the annual audit identifies a number of instances where the totality of the funds provided has not been disbursed and can be reclaimed by the Council. The current estimate is that £0.850m will be clawed back by 31 March 2016.

3.5 **Client Costs**

New demands will be offset by combination of clients existing care and management action to control the cost of care. Current forecasts are based on costs and volume of services provided to client at the date that Controcc reported. Client numbers and indeed the services provided to the clients will vary day by day and as a result this forecast is based on the best information available at this point in time.

3.6 **Homecare packages**

The cost of homecare packages, like other care line items, is calculated by reference to the number of clients in receipt of that service at the time of producing the monitoring report. However, experience shows that in a number of cases, the planned package will not be required for the full year and as a result a reduction in costs of £0.2m (approx. 2%) is allowed for.

3.7 **Care Act**

The first phase of changes under the Care Act was introduced in April 2015. A Care Act implementation grant was made available to all upper tier authorities and the Council's grant was £(1.227)m. A schedule of proposed use of this funding was agreed by SLT and subsequently CMT and the planned usage of funding is attached at Appendix 5. It is relatively early in the year to project costs, though current expectations are that the funding should be sufficient to cover expected costs. The assumption for Month 3 is that spend will be in line with the Care Act implementation grant allocation. Work is on-going to understand the implications of the recent announcement to delay phase 2 implementation until 2020.

3.8 **Winter Pressures Funding**

Two amounts of Winter pressures funding were carried over from 2014/15 equating to £(0.393)m and £(0.187)m for DH and CCG funding respectively. Detailed plans are in place for the use of this funding and the assumption is that the funding will be fully utilised in 2015/16.

3.9 **Better Care Fund**

Under the terms of the Better Care Fund agreement with the CCG, the Council secured £(2.0)m for the protection of social care services. A national condition of the funding allocated for the Better Care Fund is that collectively the CCG and Council should achieve targeted reductions of at least 3.5% in non-elective admissions. Should these reductions not be achieved, then funding allocated in respect of performance would not be released by NHS England and the CCG would be obliged to transfer this to the Acute sector. The amount of BCF funding in the BCF agreement relating to performance is £(1.319)m and the Council carries the risk of 30% of funding based on the agreed risk share of 70/30 between the CCG and the Council; this equates to circa £0.400m in 2015/16. Early information on non-elective admissions indicates these are increasing, compared to baseline, rather than decreasing and as such there is a risk to £0.400m of the BCF funding. This potential shortfall has been set aside as an earmarked reserve, therefore the full £2.0m transfer of funding to the Council is reflected in the forecast.

4. Learning Disabilities (LD) Pooled Fund

4.1 The LD Pooled fund deficit was cleared at the end of 2014/15. The fund is therefore in balance at the start of the year and spend is expected to be in line with respective contributions from the Council and the CCG.

5. Service carry-forward reserves

5.1 At the beginning of April 2015 the Children, Families and Wellbeing Directorate has accumulated balances of £(1.729)m carried forward from previous financial years.

5.2 The carry-forward balances and expected end of the year position is as follows:

	DSG	**CFW – Non LD Pool**	**CFW LD Pool**
	(£000's)	**(£000's)**	**(£000's)**
Balance b/f 1 April 2015	(1,326)	(403)	0
Troubled Families Grant		(468)	
Troubled Families Commitments 15/16		468	
Specific commitments in 15/16		197	
P3 Forecast Outturn 15/16	700	1,467	0
	(626)	**1,261**	**0**

The DCLG provided a grant for Troubled Families in 2014/15, which was not ring-fenced or spent. However, there are commitments made to partners for 2015/16.

There are also specific commitments originally made in 2014/15 that will now be spent in this financial year. These were reported in the period 12 2014/15 monitoring report.

The LD Pool was brought back into balance during 2014/15 by a contribution from the Council's General Reserve.

6. Management Action

6.1 Business Delivery Programme Board

Following the investigation into budget monitoring arrangements in 2014, the Business Delivery Programme Board refreshed the way it works. These arrangements will continue in 2015/16, subject to the merging of the Business Delivery Core group into a single All Age Board for Children and Adults.

Due to the scope and complexity of the budgets the separate reporting of Adults and Children's budget position will continue through respective Finance sub-groups of the Business Delivery Programme Boards.

6.2 Financial Awareness Training

In order to strengthen financial management, a comprehensive programme of training has been delivered to service managers. All budgets have undergone a RAG assessment approach to determine the level of risk, complexity and volatility. The results determined the level of support each budget and budget holder would receive from the Finance Team.

New budget monitoring templates were issued to create a more streamlined and consistent approach across each service area. The input from the budget holder means that the information and projections for each service are up-to-date and there will be greater control of the budget throughout the year.

Period 3 is the first time that monitoring of some budgets is reliant on forecasts made entirely by budget holders. The ability of budget holders to carry out these forecasts has been mixed, as would be expected when introducing such a fundamental change. Where budget holders have had difficulty in forecasting, the Finance team has made assumptions for this monitoring report. These budget holders will receive some support for the next monitoring report.

6.3 Good Practice Examples

There are a number of examples of management interventions that are having a substantial impact on the financial position of the Directorate. These include;

6.3.1 **Reshaping Social Care;** The Directorate is driving down commitments against care packages in line with the reshaping social care policy change agreed by the Council. The implementation of reshaping principles is being applied as each new case is presented and as all cases go through their reassessment during the year. This has led to an increase in complaints and appeals, but each case is being considered according to individual needs and options available to meet that need. The reshaping programme is supporting the directorate to review the commissioning requirements going forward, as we drive the promotion of independence and self-care. The work is underpinning the development of 15/17 savings options and we are already seeing a significant impact since the new policy was implemented in April 2015.

6.3.2 **Ordinary Residence:** The objective of the project was to establish Ordinary Residence (OR) for clients placed out of borough by Trafford Council, transferring funding responsibility to the receiving local authority. The impetus for the project was the implementation of the Care Act 2014, which provided a finite window up to 31st March 2015 to engage with local authorities and reach a resolution, without recourse to the Secretary of State.

In the initial stages there were 28 cases identified with potential for ordinary residence status, by the end of 2014 six of these cases had been progressed to a successful conclusion. Trafford has now either transferred or agreed transfer for 18 clients and a further three cases sit with the Secretary of State for resolution. Savings of £(1.082)m are expected from these actions and the learning from the project is supporting on-going budget management decisions in relation to individual cases.

6.3.3 **Home to School Transport;** A complete reorganisation of the co-ordination of transport provision for children with special educational needs was undertaken from September 2015. A single team was created that were able to clearly map and tender new routes to ensure efficiency of provision and a substantial reduction in contract values. In addition to the substantial financial saving achieved through this process the development of a new procurement approach and service standards has led to improvements in the quality and safeguarding elements of the service. There was a substantial overachievement of savings in the last financial year (£0.225m) and against a target of a further £(0.300)m for 2015/16 we are currently projecting an overachievement of £(0.100)m.

6.3.4 **Debt Recovery:** The approval of the new Debt Management and Recovery policy at the end of March 2015 has enabled the Council to take a robust approach to debt recovery whilst ensuring the Council manages its risks effectively through the addition of a debt panel chaired by the Joint Director for Adults before cases proceed to Legal litigation. This new approach has already resulted in additional income to the authority and has had a positive impact on engagement of debtors, with a number of payment plans being arranged for in-year collection as well as payment in full in large debt cases. The new robust timely debt recovery process also ensures new debt is identified at the earliest stage and fed back to the Joint Director for Adults for an overall review of the case. Debt is also now a key factor in funding panel decisions.

Appendix 1

Period 3 Projected Outturn revenue expenditure and income variances

The following tables detail the main variances from the revenue budget to the forecasted outturn, in both Management Accounts ("Budget Book") format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	**Full Year Revised Budget (£000's)**	**P3 Forecast Outturn (£000's)**	**P3 Outturn variance (£000's)**	**Variance Ref**
Children's Services Portfolio – DSG Element				
Dedicated Schools Grant	0	700	700	CFW1
Transfer to Dedicated Schools Grant Reserve	0	(700)	(700)	CFW1
Sub-total – DSG	**0**	**0**	**0**	
Children's Services Portfolio – Non DSG Element				
Education Early Years' Service	4,971	4,806	(165)	CFW3
Children's Social Services	16,613	17,812	1,199	CFW2
Children with Complex & Additional Needs	1,982	1,982	0	CFW2
Commissioning	1,503	1,503	0	CFW3
Multi Agency Referral & Assessment Service (MARAS)	1,654	1,654	0	CFW3
Youth Offending Service	255	255	0	CFW3
Early Help Delivery Model	1,088	1,088	0	CFW3
				CFW3
Sub-total – Non DSG	**28,066**	**29,100**	**1,034**	
CFW Children's Total	**28,066**	**29,100**	**1,034**	

Budget Book Format (Objective analysis)	Full Year Revised Budget (£000's)	P3 Forecast Outturn (£000's)	P3 Outturn variance (£000's)	Variance Ref
Adult Social Services Portfolio				
Long Term Support – client costs	38,955	39,979	1,024	CFW4
Short Term Support – client costs	557	729	172	CFW5
Social Support – Adult Placement / Carers	931	976	45	CFW6
Assistive Equipment & Technology	1,473	1,443	(30	CFW7
Social Care Activities – Care Management	4,820	4,205	(615	CFW8
Information and Early Intervention – Preventative Services	942	853	(89	CFW9
Commissioning and Service Delivery	1,049	955	(94	CFW10
Non-Adult Social Care – Supporting People	390	410	20	CFW11
CFW Adults Total	**49,117**	**49,550**	**433**	
Community Health & Wellbeing Portfolio				
Public Health	(1,210)	(1,210)	0	CFW12
CFW Public Health Total	**(1,210)**	**(1,210)**	**0**	
CFW Total	**75,973**	**77,440**	**1,467**	

Business Reason / Area (Subjective analysis)	P3 Outturn Variance (£000's)	Ref
Children's		
Transport Costs	(100)	
Client Need	1,041	
Income	155	
Other running costs	(62)	
Total Children's	**1,034**	
Adults		
Management of staff vacancies	(615)	
Client Need	1,196	
2015/16 Savings not achieved	37	
Other running costs	(185)	
Total Adults	**433**	
Public Health	**0**	
Total CFW	**1,467**	

NOTES ON VARIANCES AND PERIOD MOVEMENTS

CHILDREN'S SERVICES

CFW1 – DSG Reserve b/fwd.

- The brought forward DSG reserve balance is £(1.326)m. There are significant pressures within DSG which mean that there is an anticipated overspend of £0.700m, leaving a forecast reserve at the year-end of only £(0.626)m. The greatest pressure on the DSG is increasing numbers in SEN and the High Needs Block of the DSG being frozen. In previous years there has been an underspend on primary de-delegated budgets. However, Primary School budgets are under significant pressure and a central budget for Schools in financial difficulty (£0.400m) will be spent in 15/16.

CFW2 – Children's Social Services (Including CAN) £1.199m adverse variance

- There is a projected overspend of £1.041m, on client care packages as analysed in the table under 2.1. The main variances are in respect of external children's homes and agency foster care. The increases in costs are due to a combination of demographic growth and the complexity of need of children in care with more children requiring high cost specialist placements. £0.760m of the projected variance relates to external children's homes although this is only based on an increase of 4.5 placements over the year which indicates the volatility of the budget. This reflects a national trend following high profile reports into major failings in the system i.e. Rotherham.
- There is a projected shortfall in adoption income of £0.155m. It has now become apparent that in the North West the number of recruited adopters is exceeding the number of children awaiting adoption. This resulted from a legal judgement that placed a greater emphasis on a child returning home or to family members prior to consideration of adoption. We are currently developing an expression of interest with neighbouring LA's to for a Regional Adoption Agency in line with national policy.

CFW3 - Various

Children's Home To School Transport- £(0.100)m favourable.

- A favourable variance due to the reorganisation of transport contracts.

Running Costs Across Children's Services £(0.065)m favourable

- This relates to a projected saving in commissioned services.

ADULT SOCIAL SERVICES

CFW4/5 – Long/Short term Support – Client Costs £1.196m adverse

Long Term and Short Term client costs - £1.196m adverse. There is a projected pressure of client costs of £3.219m compared to budget. This projection is based on the current portfolio client recorded on Liquid Logic adjusted for expected Transition costs in year of £1.8m. An offset has been made of £2.023m for savings which are expected to be made against client costs based on Transformation projections. The forecast is based those clients currently within the Liquidlogic system and will become more robust as the year progresses.

CFW6 – Social Support – Adult Placement / Carers £0.045m adverse

- Adult Placement saving not achieved. £0.045m. Saving reflected in CFW8.

CFW7 – Assistive Equipment & Technology £(0.030)m favourable

- Community alarms – projected reduction in costs £(0.072)m;
- Telecare costs to be funded through winter pressures £0.036m;
- External Minor adaptations - additional costs £0.014m;
- Other variations £(0.008)m.

CFW8 – Social Care Activities – Care Management teams £(0.615)m favourable

Vacant posts across the following teams:

- Pathways and Network £(0.133)m;
- Reablement team £(0.035)m;
- Community Mental Health team £(0.097)m;
- Community Learning Disability team £(0.052)m;
- Community MH team North £(0.053)m;
- Community MH team South £(0.029)m;
- Community Social Work team South £(0.117)m;
- Review and Assessment team £(0.010)m;
- Direct Payments team £(0.022)m;
- Winter Pressure funding and other variances £(0.067)m.

CFW9 – Information and Early Intervention £(0.089)m favourable

- Vacant posts in Benefits and Advice team £(0.103)m;
- Reduction in IMCA costs £(0.019)m;
- CAB residual contract costs £0.040m;
- Other variances £(0.007)m.

CFW10 – Commissioning & Service Delivery £(0.094)m

- Commissioning Restructure – additional saving £(0.086)m;
- Drug and Alcohol team £(0.008)m.

CFW11 – Non-Adult Social Care £0.020m

- Supporting People – additional contribution £0.015m;
- Adaptations – reduced income £0.005m.

CFW12 – Public Health £Nil

- Overall spend is projected to be in line with Public Health grant.

Appendix 2

CFW Base Budget Savings 2015/16		**Note**	**2015/16 Budget**	**Forecast Saving**	**Variance**
			(£000's)	**(£000's)**	**(£000's)**
Children with Complex Needs – use of personalisation	CS		(100)	(100)	
Children with Complex Needs – expansion of in-house Children's home	CS		(100)	(100)	
Home to School Transport	CS		(300)	(400)	(100)
Market Management	CS		(200)	(200)	-
Music Service	CS		(30)	(30)	-
Educational Psychology	CS		(100)	(100)	-
Governor Services	CS		(5)	(5)	-
Commissioning – reduction in multi-agency contracts	CS		(126)	(126)	-
Education Early Years – Early Help	CS		(3,077)	(3,077)	
Education Early Years – Re-organisation	CS		(377)	(377)	-
Youth Offending Service	CS		(130)	(130)	-
Sub-total Children Services			**(4,545)**	**(4,645)**	**(100)**
Older People – Reablement	AS		(700)	(700)	-
LD - Re-negotiation of Contracts	AS		(300)	(13)	287
LD – Supported Living	AS		(206)	(203)	3
LD – Acceleration of Re-tendering	AS		(790)	(942)	(152)
PD - Telecare	AS		(116)	(116)	-
LD – Void Management	AS		(32)	(32)	-
Continuing Health Care	AS		(389)	(389)	-
Better Care Fund	AS		(2,000)	(2,000)	-
Voluntary and Community Sector	AS		(97)	(59)	38
LD – Ordinary Residence	AS		(1,066)	(1,082)	(16)
LD - Care Package Review	AS		-	(411)	(411)
LD – Development Fund	AS		(40)	(45)	(5)
LD – Review of Building Based Support	AS		(71)	(71)	-
Reshaping Trafford	AS		(1,100)	(682)	418
Mental Health – review of packages	AS		(100)	-	100
Floating Support Service	AS		(230)	(230)	-
Market Management	AS		(1,000)	(915)	85
Integrated Health & Social Care	AS		(500)	(500)	-
Commissioning – all age structure	AS		(830)	(830)	-
Commissioning – review of non-mandatory services	AS		(1,500)	(1,538)	(38)
Sub-total Adult Social Care			**(11,067)**	**(10,758)**	**309**
Other Adult Social Care savings TBC			**-**	(272)	(272)
Total			**(15,612)**	**(15,675)**	**(63)**

Appendix 3

Zero Base Review – Budget Changes

Summary of main changes

In 2014 the Government introduced changes to the basis of reporting Adult Social Care to more appropriately reflect the move to more personalised and preventative services in social care.

Under the changes a new hierarchy of reporting was introduced based on the following structure:

FR001 – Long Term Support

- Age 18-64 years
- Age 65-74 years
- Age 75-84 years
- Age 85+

FR002 – Short Term Support

- Age 18-64 years
- Age 65-74 years
- Age 75-84 years
- Age 85+

FR003 – Social Support
FR004 – Assistive Equipment and Technology
FR005 – Social Care Activities
FR006 – Information and Early Intervention
FR007 – Commissioning & Service Delivery

With each range services are further split according to Primary Support Reasons (PSR) which are: Physical, Sensory, Memory & Cognition, Learning Disability, and Mental Health.

These replace the former client categories of Older People, Learning Disability, Physical Disability and Mental Health.

Reporting on the new basis is mandatory for financial and performance reporting from April 2015 and 2015/16 budgets have been reviewed to re-allocate them according to the new ZBR reporting requirements.

This basis of reporting will be used for all future national financial and performance statutory reporting.

Further details of budget virements are available if required.

Appendix 4

Row Labels	Sum of Gross Weekly Cost £	Services provided to clients	Average Unit Cost £
3rd Party Top up - Expenditure	16,359	127	128.81
Day Care - Expenditure	16,283	118	137.99
Direct Payments - Expenditure	160,025	621	257.69
Homecare - Expenditure	190,827	1,399	136.40
Nursing - Expenditure	124,171	383	324.21
Reablement	14,044	66	212.78
Residential - Expenditure	236,335	629	375.73
Supported Accommodation - Expenditure	136,607	190	718.98
Transport	2,400	152	15.79
Grand Total	**897,050**	**3,685**	**N\A**

Care Act Implementation grant **Appendix 5**

Proposed use of funding 2015/16

Area of Spend	Forecast Cost 2015/16	Type of cost
Self-funders additional assessments and reviews in 2015/16 – 4 x social worker and 4 x social work assessors	£290,710	Staffing
Financial Assessments – Exchequer Services support officer	£21,375	Staffing
Carer costs – includes assumed £200k contribution to Carers Centre	£361,183	Commissioned service, carer payments.
Information and advice	£48,448	TBC
Prevention		
Independent financial advice		
Access to advocacy	£50,500	Commissioned services and service user support
Safeguarding Boards	£30,000	
Market oversight regime – quality management – Market Relationship Officer	£44,348	Staffing
National eligibility – continuity of care between areas	£70,000	Package costs contingency
National eligibility – transition		
Eligibility Threshold – Recurring costs		
Legal Reform – Transition costs	£50,000	Contingency
Implementation of legal reform		
Training and development – Training Officer	£31,293	Staffing
Communications	£10,000	Publicity materials
ICT – ICT Project Manager (P/T)	£29,760	Staffing
ICT – system support costs	£57,240	
Project Management	£125,000	Staffing
Contingency	£7,143	Contingency
Total	**£1,227,000**	

ANNEX 2

TRAFFORD MBC

Report to:	**Economic Growth, Environment and Infrastructure Directorate Management Team**
Date:	**16 July 2015**
Report for:	**Discussion**
Report author:	**Finance Manager**

<u>Report Title</u>

Revenue Budget Monitoring 2015/16 – Period 3 (April 2015 to June 2015)

1. Forecast Outturn for the Year

1.1 The approved revenue budget for the year is £32.298m. This includes a contribution from the Transformation & Resources directorate towards the Joint Venture Contract (JVC) overheads. The forecast outturn is £32.053m, which is £(0.245)m under the approved budget.

1.2 This is the first monitoring report of the financial year and, hence, the information available to produce the forecast outturn will be refined and subject to change as the year progresses. The main assumptions included in the financial forecasts are listed in paragraph 5.

1.3 The key variances in the overall underspend include one-off income from Oakfield Road car park £(0.120)m, additional planning income £(0.118)m, running cost underspends in street lighting energy £(0.060)m and contracts £(0.051)m, and staffing vacancies £(0.128)m. These are offset by shortfalls in income from capital fees £0.132m and building control £0.100m.

1.4 The approved budget for 2015/16 includes savings of £(2.814)m and all are projected to be delivered in full (paragraph 4). Savings include £(2.250)m from the Joint Venture Contract (JVC) with Amey LG for Environmental, Highways, Street Lighting, Technical and Property Services.

1.5 The JVC contract commenced on 4th July 2015 for 15 years, and will be monitored through the payment and performance mechanism agreed with Amey as part of the procurement process. The budget monitoring reported for services in-scope of the JVC for 2015/16 will reflect actual and forecast economic activity both before and after the contract start date.

1.6 The Directorate has brought forward balances of £(1.738)m from previous years (paragraph 3). This will be utilised for one-off budget pressures in 2015/16 and also to support initiatives to protect services and deliver future efficiencies and income generation. The balance after known commitments and the forecast outturn is £(1.051)m.

2. Summary of Variances

2.1 The overall favourable variance of £(0.245)m reflects a number of individual under and overspends across the diverse areas of the Directorate, as detailed in Appendix 1 and summarised below.

2.2 A favourable one-off income variance is projected from Oakfield Road car park £(0.120)m. Income from other fees and charges is higher than budgeted for the

GM Road Access Permit Scheme £(0.013)m, airport rent £(0.021)m and planning fees £(0.118)m. There are income shortfalls forecast relating to building control £0.100m, parking enforcement (one-off) £0.057m, bulky and commercial waste £0.011m, bereavement services £0.020m, public protection (licencing & pest control) £0.023m, highways/property £0.026m. In addition, fee income from capital schemes is £0.132m lower than budgeted for the pre-JVC period. Total income is forecast to be £0.097m below budget.

2.3 There are a number of favourable variances relating to staffing budgets as a result of turnover or vacancy management £(0.128)m. This includes £(0.050)m from school crossing patrols, £(0.068)m Economic Growth team, £(0.036)m Housing, £(0.021)m facilities management and £(0.012)m Highways.

2.4 Other running cost are projected to be £(0.125)m underspent. This includes administrative buildings £(0.060)m, contracts £(0.051)m (e.g. waste and parking), and Highways/Street Lighting maintenance £(0.027)m. Street lighting energy costs are predicted to be £(0.060)m below budget.

2.5 Management action will continue over the financial year end period and into 2015/16 to ensure that essential services are delivered within budget and to seek out opportunities for future financial benefits. This includes:

- Only necessary spending on supplies and services to be approved;
- Systematic monitoring and evaluation of existing and potential new income streams;
- Analysis of rechargeable work for both revenue and capital schemes;
- Additional improvements to efficiency through service redesign and better procurement;
- Potential to accelerate future savings proposals.

3. Reserves

3.1 At the end of 2014/15 the Directorate had a surplus on accumulated balances of £(1.738)m, which was carried forward to 2015/16. This was a result of the successful management of budget pressures and additional income generation in the last three years. .

3.2 The remaining balance on the EGEI Directorate Reserve after the forecast outturn for 2015/16, future known commitments and re-phasing of projects is £(1.051)m (table below). The EGEI Reserve will be utilised on initiatives to generate future savings and income generation to support service provision within the on-going revenue budget constraints. In addition, there is some acceleration of one-off costs (e.g. stock write offs) associated with the mobilisation of the JVC contract which commenced on 4th July 2015. The reserve may also be required for other one-off budget pressures arising during the year.

Utilisation of Carry forward Reserve 2015/16	**(£000's)**
EGEI Surplus balance brought forward at 1 April 2015	(1,738)
Commitments 2015/16	932
Period 3 forecast outturn (favourable)	(245)
Balance after known commitments	**(1,051)**

4. Savings

4.1 The approved Directorate budget includes 2015/16 savings of £(2.814)m, and all are projected to be achieved in full over the financial year, as follows :

	Budget (£000's)	Forecast (£000's)	Variance (£000's)
Efficiencies and others	(2,336)	(2,336)	0
Increased and new income	(324)	(324)	0
Policy Choice	(154)	(154)	0
Total EGEI	**(2,814)**	**(2,814)**	**0**

5. Forecasting and Risk

5.1 There are key assumptions and/or areas of risk in producing the forecast outturn. These are listed below but will generally reduce as the financial year progresses as data becomes confirmed.

- Joint venture contract – the budget monitoring for services in-scope of the JVC reflects economic activity both before and after the contract start date of 4th July 2015. A number of activities and works cross cut the contract start date (e.g. works in progress), plus a number of temporary arrangements are in place to ensure business continuity during the cut over period (e.g. continued collection of income on behalf of Amey). All related financial transactions will be allocated and recharged between the Council and Amey over the coming weeks. It is also likely there will be residual pre-contract related transactions throughout the financial year.
- The JVC contract will be monitored using the payment and performance mechanism agreed as part of the procurement process. This is designed to incentivise performance to the standards agreed and the Council has the ability to deduct fees in cases of non-performance. This will form part of the monthly billing and review process.
- Fee income from capital works varies depending on the progress of delivering the approved capital programme during the year. The full year budget assumption from fees is £(2.000)m and this risk has effectively been transferred to Amey from July 2015 for services in-scope of the JVC (e.g. Highways and Property). The JVC contract is structured in a way which incentivises Amey to progress in delivering the programme on time. However, the charging of capital fee income will still need to be monitored against the profile for both the pre and post contract budgets as capital works progress.
- Demand led fees and charges income, such as from Parking, Licencing, Planning and Building Control, will vary based on economic conditions and customer behaviour. All fees and charges are monitored weekly or monthly, with trends and previous profiles used to inform forecasts. For services in-scope of the JVC, fee income is guaranteed in the contract price. The Council will also share in any additional income generated by Amey under the contract. Adjustments and recharges will need to be actioned in the accounts for any income collected on behalf of Amey during the transition period.

- Investment property income – this varies depending on economic factors, and includes income from shopping centres (e.g. Stretford Mall) where lettings and rents are the responsibility of the owners of the properties. This can include backdated rent income notified by managing agents later in the year. Property will be managed by Amey under the JVC contract.
- Weather related incidents impact on costs and income, particularly during the winter months. This includes increased winter maintenance costs (gritting etc.), pot hole damage to highways, tree and other infrastructure damage. These services are largely in-scope of the JVC and this risk has been transferred to Amey under the contract as the service fee payable is fixed for the year in advance. The Directorate has £0.120m in a Winter Maintenance reserve to smooth any pressures across financial years, if required.
- GM Waste Disposal Authority levy – each month the WDA notifies GM Councils of variances in the actual tonnages of waste delivered compared to that assumed when setting the levy at the start of the year. This results in an additional cost or rebate per Council. Actual tonnages can be affected by weather and also customer behaviour, for example levels of recycling. The latest notification from the WDA indicates disposal costs are in line with budget.

6. Recommendations

6.1 It is recommended that the forecast outturn be noted.

Appendix 1

Period 3 Forecast Outturn revenue expenditure and income variances.

The following tables detail the main variances from the revenue budget to the forecast outturn in both Management Accounts ("Budget Book") format and by cause or area of impact of the variance.

Economic Growth, Environment & Infrastructure Budget Book Format (Objective analysis)	**Full Year Budget (£000's)**	**P3 Forecast Outturn (£000's)**	**P3 Forecast Variance (£000's)**	**Ref**
Highway and Network Management, including Traffic & Transportation	3,395	3,356	(39)	EGEI1
Groundforce	4,201	4,253	52	EGEI2
Sustainability & Greenspace	352	322	(30)	
Bereavement Services	(1,127)	(1,113)	14	
Waste Management (incl. WDA levy)	19,562	19,541	(21)	EGEI3
Public Protection & Enforcement	762	787	25	
Parking Services	(537)	(659)	(122)	EGEI4
School Crossing Patrols	403	353	(50)	EGEI5
Strategic Support Services	511	507	(4)	
Sub-total Environment & Operations Portfolio	**27,522**	**27,347**	**(175)**	
Property and Development	2,654	2,664	10	EGEI6
Economic Growth	739	672	(67)	EGEI7
Housing Strategy	571	512	(59)	EGEI8
Strategic Planning & Development	542	534	(8)	
Planning & Building Control	(149)	(95)	54	EGEI9
Directorate Strategic Management	420	420	0	
Sub-total Economic Growth & Planning Portfolio	**4,777**	**4,707**	**(70)**	
Operational Services for Education (Catering & Cleaning Traded Service)	**(1)**	**(1)**	**0**	
Total Forecast Outturn Period 3	**32,298**	**32,053**	**(245)**	

Economic Growth, Environment & Infrastructure Business Reason / Area (Subjective analysis)	**P3 Outturn Variance (£000's)**	**Ref**
Highways and Network Management incl. Traffic & Transportation		
Income shortfall, including moving traffic offences	13	
GMRAPs income above budget	(13)	
Capital fee income shortfall	75	
Staff vacancies	(12)	
Running costs	(27)	
Energy – Street Lighting	(60)	
Depot & Business Support		
Supplies & Services	(15)	
Sub-total	**(39)**	EGEI1
Groundforce		
Staffing and Transport costs	40	
Other running costs – contractors, plant hire, fuel	12	
Sub-total	**52**	EGEI2
Sustainability & Greenspace		
Vacancy, supplies & services	**(30)**	
Bereavement Services		
Staffing and running costs	(6)	
Income shortfall (surplus)	20	
Sub-total	**14**	
Waste Management and Disposal		
Staffing and running costs	(32)	
Income – bulky and commercial waste	11	
Sub-total	**(21)**	EGEI3
Public Protection & Enforcement		
Staffing costs	17	
Running costs	(15)	
Income shortfalls including licensing	23	
Sub-total	**25**	

Economic Growth, Environment & Infrastructure Business Reason / Area (Subjective analysis)	**P3 Outturn Variance (£000's)**	**Ref**
Parking Services		
Staffing & running costs	(59)	
Oakfield Road car park remaining open	(120)	
Income – other locations	57	
Sub-total	**(122)**	EGEI4
School Crossing Patrols - vacancies	**(50)**	EGEI5
Director & Business Support		
Staffing and Running costs	**(4)**	
Sub-total Environment & Operations Portfolio	**(175)**	
Property and Development		
Investment Property Rental Income:		
- Urmston Town Centre – one-off surplus	(8)	
- Airport – surplus	(21)	
- Other properties - surplus	21	
Community buildings – income/running costs	29	
Admin Buildings running costs	(60)	
Facilities Management staffing vacancies	(21)	
Other running cost variances	13	
Major projects capital fee income	57	
Sub-total	**10**	EGEI6
Economic Growth		
Staffing vacancies	(68)	
Other running costs	1	
Sub-total	**(67)**	EGEI7
Housing Strategy		
Staffing	(36)	
Running costs	(23)	
Sub-total	**(59)**	EGEI8

Economic Growth, Environment & Infrastructure Business Reason / Area (Subjective analysis)	P3 Outturn Variance (£000's)	Ref
Strategic Planning & Development		
Staffing/running costs savings	**(8)**	
Planning & Building Control		
Planning applications income	(118)	
Building Control income shortfall	100	
Staffing including interim support	50	
Other running costs	22	
Sub-total	**54**	EGEI9
Sub-total Economic Growth & Planning Portfolio	**(70)**	
Total Forecast Outturn EGEI Period 3	**(245)**	

Summary Variance Analysis Period 3

All Services	Savings £000	Staff £000	Running Costs £000	Income £000	Total Variance £000
Period 3	0	(128)	(214)	97	(245)

ADDITIONAL NOTES ON FORECAST OUTTURN VARIANCES

EGEI1 – Highways & Network Management - £(0.039)m (favourable)
Income generation of £(0.030)m is included in the budget from moving traffic offences. This is part of an AGMA initiative to improve safety and traffic flows on major routes and the project timeline has been re-phased to later in 2015/16.

Running costs are expected to be £(0.027)m under budget over a number of service areas. This mainly reflects forecasts of maintenance costs in highways and street lighting up to the 4th July 2015 commencement date of the JVC with Amey.

Staffing is £(0.012)m underspent for the pre JVC period.

There is additional income above budget of £(0.013)m from the Greater Manchester Road Access Permit Scheme, which was implemented during 2013/14.

Fee income from technical and consultancy work charged to capital schemes is projected to be £0.075m below budget due to the timing of capital works up to the commencement of the JVC contract.

Street Lighting energy costs are projected to be £(0.060)m less than budgeted based on latest projected usage volumes and the contract prices from April 2015. The wholesale price of energy which the Council procures influences only around 50% of the Council's energy bill. The remainder is influenced by transmission and distribution costs – for example Distribution Use of System Charges are passed on to us by the Distribution Network Operator, and are unavoidable. There is hence a risk of future cost increases not bound by the Council's contracted prices.

EGEI2 – Groundforce - £0.052m (adverse)
Staffing, plant, contractor and transport costs are £0.052m overspent for the period up to the commencement of the JVC contract.

EGEI3 – Waste Management and Disposal - £(0.021)m (favourable)
There is an underspend in staffing and contract costs of £(0.032)m for the period prior to the commencement of the JVC contract. Bulky waste and commercial waste income is £0.011m less than expected for this period.

EGEI4 – Parking Services – £(0.122)m (favourable)
The approved budget from 2013/14 includes assumptions regarding the partial, then full closure of Oakfield Road car park during the year as part of the regeneration of Altrincham Town Centre. The re-phasing of the town centre project has resulted in forecast income being £(0.120)m above budget, which has continued from last year.

Other car parking income is projected to be £0.057m under budget, which includes for the period of relaxed enforcement shortly after the recent change in prices.

The parking enforcement contract and other running costs are expected to be £(0.059)m underspent.

EGEI5 – School Crossing Patrols – £(0.050)m (favourable)
There is a forecast underspend on staffing due to on-going vacancies.

EGEI6 – Property and Development - £0.010m (adverse)

Manchester Airport rent is £(0.021)m above budget following notification from Manchester City Council of new rent levels.

Other let estate rental income is expected to be below budget across the property portfolio totalling £0.013m

Forecast fee income from capital and external projects is £0.057m less than budgeted for the period up to the commencement of the JVC contract which reflects the phasing of capital works.

Administrative building running costs are less than expected across the portfolio by £(0.060)m. This includes a £(0.053)m underspend relating to the catering concession at Altrincham Town Hall.

EGEI7 – Economic Growth Team – £(0.067)m (favourable)

There is an underspend in staffing and running costs of the Altrincham Town Team as service review and potential re-design is implemented in this area.

EGEI8 – Housing Strategy – £(0.059)m (favourable)

Staffing costs are forecast to be £(0.036)m underspent due to secondments, with running costs including the housing options contract £(0.023)m underspent.

EGEI9 – Planning and Building Control – £0.054m (adverse)

Projected income from planning fees is £(0.118)m higher than budgeted which is a trend continuing from last financial year. There is a projected shortfall in income from building control fees of £0.100m, which is also a continuation of difficult trading conditions and external competition. A business plan is in the process of being implemented to increase income from building control and bring the budget into balance. Both fees are monitored regularly.

There is a projected overspend on staffing of £0.050m which reflects the appointment of interim staff to cover vacancies and address the resulting capacity issues. These posts contribute to the achievement of the additional planning income above. The permanent filling of vacant posts will be addressed by the on-going restructure of the combined Directorate. Running costs are £0.022m higher than budget.

ANNEX 3

TRAFFORD MBC

Report to:	**Transformation and Resources Directorate Management Team**
Date:	**16 July 2015**
Report for:	**Discussion**
Report author:	**Finance Manager**

Report Title

Revenue Budget Monitoring 2015/16 – Period 3 (April 2015 to June 2015)

1. Forecast Outturn for the Year

1.1 The approved revenue budget for the year is £16.926m with a forecast outturn of £16.842m, which is £(0.084)m less than the approved budget. The key variances are shown in section 2 below and Appendix 1.

1.2 The variance of £(0.084)m can be summarised as follows:
- Management of vacancies £(0.245)m
- Cost control in running expenses £(0.137)m
- Reduction in forecast level of savings £0.283m
- Reduced income £0.015m

1.3 The Directorate has brought forward balances of £(1.501)m from previous years (section 3). This will be utilised to support initiatives to reshape Trafford and deliver future efficiencies and income generation. The balance after known commitments and the forecast outturn is £(1.198)m.

2. Summary of Variances

2.1 The overall favourable variance of £(0.084)m reflects a number of individual under and overspends across the Directorate, with comments on the main movements below.

Staffing

2.2 Forecast staffing costs based on actual and projected vacancies are £(0.245)m less than budget across the Directorate. This is over and above the assumed level of vacancies that has been included in the setting of the 2015/16 budget and is as a consequence of a delay in appointing to a number of vacancies on some service restructures.

Running Costs

2.3 Overall running costs are forecast to be £(0.057)m less than budgeted. This is a result of cost control across all services in order to keep the overall Directorate spend within budget for the year. In addition a one-off saving will be realised of £(0.080)m as a result of a settlement of a claim in relation to supplier performance in ICT where liability has been acknowledged.

Savings

2.4 The £0.283m shortfall in savings relates to Library Service and ICT proposals for 2015/16 of £0.154m and £0.129m respectively. Further details are listed below in paragraph 4.

Income

2.5 The £0.015m shortfall in external income is comprised of £0.061m from CCTV services, offset in the main by £(0.042)m of additional income from grants in the Revenues and Benefits Service. Work is on-going to redesign the CCTV service delivery model which will address the budget pressure, which has been continued from 2014/15, and deliver sustainable benefits going forward. The Revenue and Benefits Services has had a number of grants awarded in-year and rolled forward from 2014/15 to support spending, leading to a favourable projected variance of £(0.042)m. Other income items across T&R have added to this favourable variance with a net £(0.004)m.

3. Reserves

3.1 At the end of 2014/15 the Directorate had a surplus of £(1.501)m in its reserve, which has been carried forward to 2015/16. This was a result of the successful management of the budget in previous years.

3.2 The remaining balance on the T&R Directorate Reserve after the forecast outturn for 2015/16, future known commitments and re-phasing of projects is £(1.198)m (table below). The T&R Reserve will be utilised on initiatives and project based activity in support of Reshaping Trafford and also to generate future savings and income generation. Commitments will be underpinned by business cases and will be reviewed each month as the financial year progresses.

Utilisation of Carry forward Reserve 2015/16	**(£000's)**
T&R Surplus balance brought forward at 1 April 2015	(1,501)
Commitments 2015/16 (*)	387
Period 3 forecast outturn (adverse)	(84)
Balance after known commitments	**(1,198)**

(*) these are currently under review

4. Savings

4.1 The T&R budget for 2015/16 includes savings of £(2.848)m. This originally included £0.550m in respect of the libraries rationalisation but this figure was revised down by £0.050m when the outcome of the second phase of consultation was reported to Executive in March 2015. This reduction can be met from savings in the Treasury Management budget as a consequence of rephasing of the capital programme in 2014/15. The updated T&R savings target for 2015/16 is therefore £(2.798)m and actual savings of £(2.576)m are forecast to be achieved with £0.222m of savings re-phased and £0.061m requiring alternative solutions.

Saving Description	**Savings Shortfall (£000's)**
Libraries re-phased saving (a)	154
ICT re-phased procurement savings (b)	68
ICT savings not able to be realised (b)	61
Total	**283**

4.2 The shortfall in savings delivery is reflected in the forecast outturn and are summarised below:

(a) Libraries – an overall £(0.500)m saving is included in the approved revenue budget. This includes both staffing and property cost reductions. Due to additional consultations and re-phasing of delivery plans, £(0.346)m is expected to be achieved in 2015/16 with a shortfall of £0.154m with the full year impact delivered during 2016/17. This shortfall is due to a delay in the closure of libraries; Bowfell, Davyhulme and Lostock, and the redevelopment of Hale and Timperley Libraries and following changes to in-year delivery at Coppice as part of the consultation process. Sustainable mitigation with regard to this shortfall is currently being considered.

(b) ICT savings of £(0.750)m are included in the approved budget. This includes staffing and contract procurement reductions. Savings of £(0.621)m are forecast to be achieved in 2015/16; a shortfall of £0.129m. £0.068m of the shortfall relates to procurement processes which have taken longer than planned, but are currently due to be delivered at the latest, in January 2016, although work is currently underway to potentially bring this position forward, by two months by reducing the tender period, subject to Procurement approval, which would give additional benefits in this financial year. Savings of £0.061m will not be achieved following a further technical assessment of individual proposals. This relates mainly to the installation of new back up arrangements where realisation of the saving is now unlikely and alternative measures are being sought, including a plan to identify all third party spend for review, with the aim of looking for additional opportunities to aggregate to less suppliers and re tender contracts.

4.3 The corporate design and print saving target of £(0.113)m is due to be delivered in 2015/16. The contract has been awarded and is currently being implemented and savings directly in relation to the contract will be realised for the remainder of the year. At this stage it is anticipated that any shortfall in delivery of those savings, due to the later award of contract date will be delivered in year, as part of a general reduction in print as the 'digital first' strategy is rolled out.

4.4 The shortfall in savings against budget is forecast to be fully mitigated by in year net underspends from the management and monitoring of the whole Directorate budget (e.g. through vacancies, running costs, income generation).

5. Forecasting and Risk

5.1 The key assumptions and areas of risk in the forecast outturn are:

- Court costs and Barrister fees are volatile, with the quantity of cases being determined in-year and the costs of the individual cases being highly variable.
- The approved budget and forecasts include assumptions around staff turnover and vacancies – this is approximately 3.5% of the staffing costs on average. The actual level and timing of vacancies is difficult to predict on a service by service basis but trends from recent years indicate overall underspend projections will increase as the year progresses.

6. Recommendations

6.1 It is recommended that the forecast outturn be noted.

Appendix 1

Period 3 Forecast Outturn revenue expenditure and income variances.

The following tables detail the main variances from the revenue budget to the forecast outturn in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Transformation and Resources Budget Book Format (Objective analysis)	**Full Year Budget (£000’s)**	**P3 Forecast Outturn (£000’s)**	**P3 Forecast Variance (£000’s)**
Legal and Democratic Services	2,578	2,487	(91)
Access Trafford	2,546	2,670	124
ICT Services	2,041	2,042	1
Communications	143	86	(57)
Finance Services	4,527	4,421	(106)
Partnerships and Communities	1,543	1,588	45
Culture and Sport	1,160	1,160	0
Human Resources	2,016	2,016	0
Executive	372	372	0
Total Forecast Outturn Period 3	**16,926**	**16,842**	**(84)**

Transformation and Resources Business Reason / Area (Subjective analysis)	**P3 Outturn Variance (£000's)**
Legal and Democratic Services	
Staff vacancies net of agency costs	(87)
Additional income – StaR Procurement	(4)
Sub-total	**(91)**
Access Trafford	
Re-phased Library savings	154
Staff vacancies – contact centre	(30)
Sub-total	**124**
ICT Services	
Re-phased savings – contact procurement	68
Other savings shortfall	61
Staff vacancies	(48)
One-off contract refund	(80)
Sub-total	**1**
Communications	
Staffing and running costs	(57)
Sub-total	**(57)**
Finance Services	
Staff vacancies	(64)
Government Grants – Revenue and Benefits	(42)
Sub-total	**(106)**
Partnerships and Communities	
CCTV income shortfall	61
Staff Vacancies	(16)
Sub-total	**45**
Total Forecast Outturn T&R Period 3	**(84)**

Summary Variance Analysis Period 3

All Services	**Savings £000**	**Staff £000**	**Running Costs £000**	**Income £000**	**Total Variance £000**
Period 3	283	(245)	(137)	15	(84)

ANNEX 4

TRAFFORD COUNCIL

Report to:	**Director of Finance**
Date:	**16 July 2015**
Report for:	**Information**
Report author:	**Interim Head of Financial Management**

Report Title

Revenue Budget Monitoring 2015/16 – Period 3 Outturn - Council-wide Budgets (April 2015 to June 2015 inclusive)

1 Outturn Forecast

1.1 The current approved revenue budget for the year is £23.717m. This includes a temporary virement of £0.050m from the Treasury Management budget to T&R in respect of the Libraries rationalisation (see Annex 3 paragraph 4.1). The outturn forecast is £22.868m, which is £(0.849)m under the budget.

1.2 Appendix 1 details by variance area the projected outturn as compared to the approved revenue budget, with the main variances being;

- Treasury Management: £(0.648)m relating to Manchester Airport Group (MAG) dividend received above budget, £(0.034)m increased investment interest from favourable cash flows and a reduction in loan interest payable of £(0.011)m .
- Business Rates - favourable impact on the Council-wide budget, £(0.165)m (see paragraphs 12 to 14 of the covering report);
- Other minor variances of £0.009m.

2 Service carry-forward reserve

2.1 Council-wide budgets do not have their own carry forward reserve, and the above underspend will be transferred to the General Reserve, as detailed in the summary report.

3 Forecasting and Risk

3.1 This forecast has been based on three months of actual activity. The activity covered by Council-wide budgets is varied, and the key assumptions in the June forecast are:

- Average investment rates will be 0.7% with a cash flow of £94m.
- There will be no further Airport dividend.
- The £20m Royal Bank of Scotland variable loan will be 7.0%. There is a smoothing reserve to mitigate large variations from this assumption.

- Contingency budgets for doubtful debts and the costs of re-organisation following the implementation of budget and other savings will be sufficient. There is a contingency reserve for re-organisation costs should budgets prove insufficient.

- Council error in the award of housing benefit will be within threshold limits, and recovery of benefit overpayments will continue at previous activity levels.

- The in-year increase for the provision for bad and doubtful debts will be in line with budget.

3.2 The original budget for 2015/16 included a one off allowance of £0.700m as a general contingency to cushion against possible slippage in the delivery of the significant savings programme in 2015/16. The budget will be released during the year, with the approval of the Director of Finance, to alleviate any unforeseen slippage. The original budget was held within Council-wide and for the purposes of budget monitoring has been assumed to be fully committed. However to date, £0.085m has been released to cover budget pressures regarding Market Management and £0.055m for Gorse Hill Studios, leaving an unallocated balance of £0.560m.

Appendix 1

Period 3 Draft Outturn revenue expenditure and income variances

The following tables detail the main variances from the revenue budget to the forecasted outturn, in both Management Accounts ("Budget Book") format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	**Full Year Budget (£000's)**	**P3 Outturn (£000's)**	**P3 Draft Outturn variance (£000's)**	**Ref**
Finance Portfolio				
Precepts, Levies & Subscriptions	17,695	17,687	(8)	
Provisions (bad debts & pensions)	2,480	2,480	0	
Treasury Management	7,869	7,176	(693)	C-W1
Insurance	875	875	0	
Members Expenses	904	904	0	
Grants	(6,645)	(6,640)	5	
Business Rates	350	185	(165)	C-W2
Other Centrally held budgets	189	201	12	
Total	**23,717**	**22,868**	**(849)**	

Business Reason / Area (Subjective analysis)	**P3 Outturn variance (£000's)**	**Ref**
Treasury Management:		
- MAG Dividend	(648)	C-W1
- Investment Income	(34)	C-W1
- Debt Management	(11)	C-W1
Business Rates	(165)	C-W2
Flood Defence levy	(8)	
Council Tax compensation grant	5	
Payment Card Industry (PCI) compliance	2	
VAT claims - legal fees	10	
Total	**(849)**	

NOTES ON PROJECTED VARIANCES

C-W1 – Treasury Management - £(0.693)m (favourable)

Investments – £(0.682)m

This additional income has been created mainly as a result of:

- the dividend from Manchester Airport Group (MAG) has recently been announced as £(2.0)m, which is £(0.648)m above budget;
- a favourable increase in cash flow, generating £(0.034)k of additional investment income, primarily due to capital programme rephasing and grant monies received ahead of schedule.

Debt – £(0.011)m

- lower than anticipated loan interest payable £(0.011)m.

C-W2 – Business Rates - £(0.165)m (favourable)

See notes and table in paragraphs 12 to 14 in the covering report.