

TRAFFORD COUNCIL

Report to: Executive

Date: 25 June 2018

Report for: Decision

Report of: The Executive Member for Finance and the Chief Finance Officer

Report Title:

Budget Monitoring 2017/18 – Period 12 Outturn (April 2017 to March 2018).

Summary:

The purpose of this report is to inform Members of the 2017/18 draft outturn figures relating to both Revenue and Capital budgets, the level of General and Service Reserves. It also summarises the final unaudited position for Council Tax and Business Rates within the Collection Fund.

Recommendation(s)

It is recommended that the Executive:

- a) note the report;
- b) note the pre-audited revenue budget outturn;
- c) note the levels of General & Service Reserves and Collection Fund balances and commitments;
- d) note the outturn position on the Capital Programme and Prudential Indicators;
- e) approve the additional capital expenditure of £500k on the redevelopment scheme at Urmston Leisure Centre.

Contact person for access to background papers and further information:

David Muggeridge, Finance Manager, Financial Accounting Extension: 4534

Background Papers: None

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|---|--|
| Relationship to Policy Framework/Corporate Priorities | Value for Money |
| Financial | Revenue and Capital expenditure to be contained within available resources in 2017/18. |
| 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

To ensure that key information on the Revenue and Capital budget outturn positions are noted by the Executive.

Finance Officer Clearance **NB**.....
Legal Officer Clearance **DS**.....

CORPORATE DIRECTOR'S SIGNATURE 

REVENUE BUDGET

Budget Monitoring - Financial Results

1. Based on the pre-audit outturn for the year, the Council will underspend its budget by £2.747m, comprising net saving on service and corporate budgets of £1.756m and additional funding of £991k. This is an overall favourable movement of £2.343m since last period.

Service Expenditure Summary Position

2. The pre-audited revenue outturn position shows an underspend figure of £1.756m. This compares to a period 10 underspend of £0.404m.
3. The favourable movement of £1.352m is made up of a number of movements since period 10 and is explained below, with more detail given in Table 2:
 - reduced overall net expenditure in children's services of £581k;
 - reduction in overspend in adult social care £68k;
 - increased income and reduced staffing and running costs in EGEI of £75k;
 - increased staffing and running costs partly offset by increased income in T&R of £118k;
 - additional council-wide budget savings of £746k.

Funding Summary Position

4. Additional funding from business rates mainly attributable to extra Section 31 compensation grants in respect of the changes to the Small Business Rate Relief Scheme of £991k (see paragraph 16).
5. 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 | 2017/18 Revised * Budget (£000's) | Un-audited Outturn (£000's) | Variance (£000's) | Percentage |
|--|--|------------------------------------|--------------------------|-------------------|
| Children's Services | 31,605 | 31,380 | (225) | (0.7)% |
| Adult Services (Inc. Public Health) | 56,182 | 58,159 | 1,977 | 3.5% |
| Economic Growth, Environment & Infrastructure | 38,304 | 37,832 | (472) | (1.2)% |
| Transformation & Resources | 18,212 | 17,600 | (612) | (3.4)% |
| Total Directorate Budgets | 144,303 | 144,971 | 668 | 0.5% |
| Council-wide budgets | 16,522 | 14,098 | (2,424) | (14.7)% |
| Net Service Expenditure variance | 160,825 | 159,069 | (1,756) | (1.1)% |
| | | | | |

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|-------------------------------------|------------------|------------------|----------------|---------------|
| Funding | | | | |
| Business Rates (see para. 16) | (67,462) | (68,453) | (991) | |
| Council Tax (see para. 13) | (88,630) | (88,630) | - | |
| Reserves | (3,058) | (3,058) | - | |
| Collection Fund surplus | (1,675) | (1,675) | - | |
| Funding variance | (160,825) | (161,816) | (991) | (0.6)% |
| | | | | |
| Net Revenue Outturn variance | 0 | (2,747) | (2,747) | (1.7)% |
| | | | | |
| Dedicated Schools Grant | 124,213 | 124,008 | (205) | (0.2)% |
| Public Health | 12,178 | 12,161 | (17) | (0.1)% |

* A number of budget virements have been made, under delegated powers, since the Period 10 Budget Monitoring Report and are detailed in Appendix A.

- The main variances contributing to the net service expenditure underspend of £1.756m and the favourable movement of £1.352m are highlighted below:

| Table 2: Main variances | Outturn Variance (£000's) | Explanation/Risks |
|-------------------------|---------------------------|---|
| Children's Services | (225) | <p>Outturn variance £225k favourable:</p> <ul style="list-style-type: none"> ➤ £739k overspend in Children's placements Budget (Note 1); offset by ➤ £964k from vacancies created through natural turnover, one planned restructure and additional income from national grants (Note 2). <p>Period movement £581k favourable:</p> <ul style="list-style-type: none"> ➤ additional savings of £53k from vacancies, restructures and additional income; ➤ reduction in the overspend on Children's placement costs of £528k. <p>Note 1 – The number of children in care at the end of the financial year was 387. Whilst this is an increase of 14 from that last reported at period 10 the overspend in this area has actually fallen by £528k. This is a result of the achievement of reductions in the costs of care of £114k and release of the unutilised contingency of £414k.</p> <p>During the year nearly £1.8m of savings have been achieved but the targeted reduction in the number of children in care was not delivered due to the continued pressure being felt in this area. This meant there was a shortfall against the savings target of £739k.</p> <p>The area of most significant pressures continues to be for placements for children age 14+ who need specialist care. There is an ongoing lack of capacity in placements for young people age 14+ with in-house foster carers and external provision. The recruitment of more in-house carers is in hand but will take time.</p> <p>The children's team are continuing to work with the Family Placement team and with Healthy Young Minds to develop comprehensive training and support interventions to increase our internal provision and capacity.</p> <p>Note 2 - The above adverse variance has been offset by underspends and additional income within the overall service. These include vacancies of £408k, additional grant/income £374k and an underspend due to restructures of £182k, as referenced above.</p> |

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| <p>Adult Services / Public Health</p> | <p>1,977</p> | <p>Outturn variance £1.977m adverse:</p> <ul style="list-style-type: none"> ➤ £1.852m overspend in Adults Client budget (Note 1); ➤ £125k of other overspends including Deprivation of Liberties (DOLS) assessments of £178k, partly offset by £53k from vacancies and one-off savings (Note 2). <p>Period movement £68k favourable:</p> <ul style="list-style-type: none"> ➤ £402k decrease on Adults Client budget; ➤ £155k decrease In DOLS projection; ➤ £161k decrease in staffing and running costs; ➤ £162k contribution to Adult Social Care bad debt provision; ➤ £488k contribution to the future cost of care. <p>Note 1 - The main budget pressure continues in the Adult Client budget in which there is a gross overspend of £1.526m, partly offset by an increase in one-off underspends on grant funding, Transition budgets and successful recovery of unspent Direct Payment monies which have exceeded expectation following annual audits of client need totalling £1.154m, giving a net overspend of £372k.</p> <p>In addition there is an underachievement of £1.480m on the service's savings target (£6.2m). This gives an overall variance of £1.852m, a decrease of £402k from that reported previously.</p> <p>This overall position reflects an increase in the cost per person of care due to increased complexity of cases, and absence of Council rate homecare and residential & nursing care provision (to the extent required) in the borough for the first two quarters of the year.</p> <p>The impact of the lack of Council rate care was principally felt from month 1 to month 6; commissioners have successfully worked with the market to block purchase at an improved unit cost for the remainder of the year as part of the Delayed Transfers of Care project.</p> <p>What is being done to address this?</p> <p>The service is actively undertaking a programme of reassessments to ensure that care packages are in line with client needs, as well as working with commissioning on buying care differently.</p> |
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| <p>Adult Services / Public Health (cont.)</p> | | <p>Commissioners continue to increase the capacity of Homecare available to the council, and have brought another SAMS provider on board; this will ensure that some clients can increase/retain their independence in their own home therefore reducing demand for residential/nursing placements.</p> <p>The service are exploring alternative contracting arrangements particularly in the form of block contracting in order to achieve value for money and to provide security for both the Council and providers.</p> <p>Note 2 - Included within the forecast is a £178k overspend on Deprivation of Liberty fees due to activity in excess of expected levels. This is partly mitigated by vacancies of £407k, a one-off VAT refund of £235k, minor favourable variations across the service of £61k, a £162k contribution to the Adult Social Care bad debt provision following a review of the level of social care debt and a contribution of £488k to the future cost of care.</p> |
| <p>Economic Growth, Environment & Infrastructure</p> | <p>(472)</p> | <p>Outturn variance £472k favourable:</p> <ul style="list-style-type: none"> ➤ staff cost savings of £131k; ➤ additional income from property rents, planning, car park and other fees of £723k; ➤ partly offset by a net overspend in running costs of £382k across all services, including an increase in the Waste Disposal Levy of £190k and other areas of £192k, <p>Period movement £75k favourable:</p> <ul style="list-style-type: none"> ➤ additional income £108k (net), mainly from Planning; ➤ a net reduction in running costs £21k (including £58k on the latest Waste Disposal Levy figure); ➤ reduced underspend on staff costs £54k. <p>The above figures exclude the new income from the garden waste collection service which has exceeded budgeted levels by £600k, as previously reported at Period 4. This money was used to support additional investment in the Council's highways.</p> |

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| Transformation & Resources | (612) | <p>Outturn variance £612k favourable:</p> <ul style="list-style-type: none"> ➤ staff vacancies of £714k (Note 1); ➤ additional income and reduced running costs saving a further £168k (Note 2); ➤ partly offset by a shortfall in the savings associated with school crossing patrols of £270k, although this shortfall is fully covered by other mitigating action across the Directorate in the current year and a fully funded budget has been reinstated for future years. <p>Note 1 - actual staff costs are £714k less than budget across the Directorate based on actual vacancies, which is 3.6% of the total staffing budget. This is lower than the average level experienced in 2016/17 of 4.6%, and reflects the ongoing efforts to fill outstanding vacant posts. Currently there are 50 vacancies of which 33 are in the process of being recruited to.</p> <p>Note 2 - Running costs are £60k above budget, an adverse movement of £24k since Period 10 mainly in Legal Services and Waterside Arts Centre. These are more than offset by projected income levels which have increased by a net £56k to £228k in HR (Schools SLA's), Legal and Bereavement Services.</p> |
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| Council-wide budgets | (2,424) | <p>Outturn variance £2.422m favourable:</p> <ul style="list-style-type: none"> ➤ Treasury Management savings of £848k (mainly airport dividend above budget of £816k as previously reported); ➤ Release of Contingency budgets of £728k due to the majority of the savings programme being achieved; ➤ Saving in Insurance costs due to a lower level of provision being required for the cost of outstanding insurance claims following year-end actuarial assessment, £481k; ➤ Investment Strategy – new income from commercial properties £343k; ➤ A reduction in the provision for doubtful debts for general debtors has generated a budget saving of £106k; ➤ The net Housing Benefit budget (payments made, less subsidy and overpayment recovery) is above budget by £427k, largely as a result of the successful collection of prior years' housing benefit overpayments. This is a favourable movement of £100k since Period 10; ➤ As reported previously, any overachievement on this budget will be transferred into a Housing Benefit Overpayments earmarked reserve which will be used to smooth the budget reductions required in the 2018/19 budget. The estimated over recovery of £427k is therefore not included in the Council Wide outturn figure; ➤ Other net overspends of £82k across a number of budget areas. <p>Period movement £746k favourable:</p> <ul style="list-style-type: none"> ➤ Savings on Insurance budgets £481k; ➤ Final release of Contingency related budgets £354k; ➤ A saving on the provision for general debtors of £106k; ➤ Additional costs to meet the deficit positions of two primary schools in special measures that are converting to academy status during 2018/19 where the Council is responsible for those deficits, £195k. |
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| Dedicated Schools Grant | (205) | <p>The outturn position for the DSG has moved from a projected overspend of £556k at period 10 to an outturn underspend of £205k, a favourable movement of £761k, as further explained below.</p> <p>There has been a significant favourable movement in the outturn for the Early Years Block of £504k. This is due to the increase in the January 2018 pupil numbers resulting from the recently introduced “extended entitlement”. The 2017/18 grant will therefore need to be adjusted in September 2018 and an accrual has been entered into the accounts for this additional grant. This underspend is ring-fenced for the Early Years Block.</p> <p>The School’s Block includes underspends that will need to be ring-fenced in 2018/19 for Growth Fund, Primary Targeted and Redundancy payments.</p> <p>There has been an increase in the High Needs Block overspend since P10 of £41k. Allocations to Special Schools increased by £166k due to an increase in top-up payments and there is an increase in the out of borough placements budget due to an increase in the high cost placements overspend of £81k. Under spends within Sensory Impairment and Behaviour and Attendance have partially offset these overspends.</p> <p>This underspend has been added to the DSG Reserve, which has now increased to £929k as at 31 March 2018. Of this reserve, £255k is ring-fenced for the Schools Block and £463k for the Early Years Block.</p> |
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Progress against Locality Plan

7. A key element of the Health and Social Care devolution agenda is the submission of a Locality Plan setting out the Council and CCG vision for the greatest and fastest possible improvement in the health and wellbeing of our residents by 2020. This improvement will be achieved by supporting people to be more in control of their lives by having a health and social care system that is geared towards wellbeing and the prevention of ill health; access to health services at home and in the community; and social care that works with health and voluntary services to support people to look after themselves and each other.

8. Financial performance against the locality plan is highlighted below in Table 3.

| Table 3: Locality Plan Update | 2017/18 Budget (£000's) | Outturn (£000's) | Variance (£000's) | Percentage |
|--------------------------------------|--------------------------------|-------------------------|--------------------------|-------------------|
| Public Health | 12,178 | 12,161 | (17) | (0.1)% |
| Adult Social Care | 57,180 | 59,174 | 1,994 | 3.5% |
| Children and Families | 31,960 | 31,735 | (225) | (0.7)% |
| Total | 101,318 | 103,070 | 1,752 | 1.7% |

*The figures in the above table have been collated using a different rationale incorporating wider budget elements not included in the CFW budget.

MTFP Savings and increased income (Vision 2031 Portfolio)

9. The 2017/18 budget is based on the achievement of permanent base budget savings and increased income of £15.57m (see para. 1 above). In addition a number of savings initiatives which underachieved in 2016/17 have been rolled over to the 2017/18 programme totalling £1.36m, giving a total savings target of £16.93m.
10. The draft forecast outturn shows that £14.716m (86.9%) of the savings target will be achieved leaving a shortfall of £2.219m. Full details of the savings achieved are included in the 17 May 2018 Transformation Programme Board Report.

RESERVES

11. The General Reserve balance brought forward was £6.00m, the approved minimum level agreed by Council in February 2017.
12. The Budget Support Reserve balance brought forward was £6.887m, after deducting the contribution to support the 2017/18 budget of £3.058m agreed by Council in February 2017 and the addition of the year end underspend of £2.747m, the closing balance at 31st March 2018 was £6.576m. A contribution of £1.63m has been agreed to support the 2018/19 budget, leaving an uncommitted balance available of £4.95m to support future years.
13. Service balances brought forward from 2016/17 were a net £4.11m and have largely been allocated to support service delivery projects in 2017/18 and later years. The balance as at 31 March 2018 is £3.88m.

| Table 4: Service balances | b/f April 2017 (£000's) | Net Use in Year (£000's) | c/f to 2018/19 (£000's) |
|---|--------------------------------|---------------------------------|--------------------------------|
| Children, Families & Wellbeing | (793) | (339) | (1,132) |
| Economic Growth, Environment & Infrastructure | (1,205) | 334 | (871) |
| Transformation & Resources | (2,113) | 237 | (1,876) |
| Total (Surplus)/Deficit | (4,111) | 232 | (3,879) |

COLLECTION FUND

Council Tax

14. The 2017/18 surplus on the Council Tax element of the Collection Fund is shared between the Council (84%), the Police & Crime Commissioner for GM (12%) and GM Fire & Rescue Authority (4%). The total surplus brought forward as at 1 April 2017 was £2.54m.
15. As at 31 March 2018 the end of year surplus balance is £2.180m, after the application of £1.55m of brought forward surplus and the addition of an in-year surplus of £650k. Better than expected collection rates relating to historic debt has contributed over £600k towards the accumulated surplus. The Council's share of this is £1.824m, and is planned to support future budgets in the MTFP.
16. Council Tax collection rate as at 31 March 2018 was 98.1%, the same as targeted.

Business Rates

17. The 2017/18 budget included anticipated growth in retained business rates and related S31 grants of £5.46m and this has increased by £991k at outturn due to a combination of factors.
18. During the course of the year a number of additional benefits have already been reported to Executive:
 - £1.276m being the Council's share from the 2016/17 Growth Pilot and transferred into a business rates reserve (see paragraph 18);
 - £5.1m representing the share of benefits from the first year of the 100% Retention Pilot. This figure has been revised to £4.1m for 2017/18 with the difference now a benefit which will be received by the Council in 2019/20 (See Para 20);
 - GMCA has indicated that it will redistribute £4.9m of its share of benefits it had received from the 2015/16 years pooling arrangements. Trafford's element of the returned income is £412k and has been transferred into the business rates smoothing reserve.
19. Business Rates Reserve - Given the overall risk faced by Trafford due to its large business rates baseline and volatility from business rate appeals, it is prudent that any surpluses over budget be transferred to the business rate smoothing reserve and used to offset any fluctuation in the significant level of business rate income that will be supporting the budget in 2018/19 and later years. It will also provide a cushion in the event of any changes to business rate baselines when the system is reset in 2020/21. The total business rates reserve stands at £6.689m and consists of the 15/16 and 16/17 Growth Pilot monies £413k and £1.276m respectively and £5m from the 2017/18 100% Pilot benefit.
20. The year-end surplus from Business Rates in 2017/18 is £2.172m and includes £1.181m of business rates growth which will not be available until 2019/20, due

to the manner in which any surpluses over estimates are released. The year-end outturn for business rates will therefore be shown as a budget underspend of £0.991m, and this will form part of the Council's overall outturn and be transferred to the budget support reserve used for future years budgets

21. Business Rates collection rate as at 31 March 2018 was 97.87% compared to a targeted collection rate of 97.5%.

CAPITAL PROGRAMME

22. Capital expenditure for 2017/18 amounted to £86.57m against a revised budget of £355.16m which includes both the Capital Investment Programme of £295.00m and general investment of £60.16m. Expenditure against the Investment Programme totalled £44.77m with a further £41.80m relating to the general capital programme.

GENERAL CAPITAL PROGRAMME

23. As reported above the revised budget reported at P10 was £60.16m. Final expenditure amounted to £41.80m, 70% of the revised budget, compared to the £28.21m invested in 2016/17. The major areas of investment included :

School Improvements - £8.57m:-

- Expansion & Basic Need Works - £6.36m
- Capital Maintenance & Access works - £1.27m
- Early Years provision - £0.54m
- Improvements via Devolved Formula Capital - £0.35m

Adult Social Services - £3.38m:-

- Disabled Facilities Grants - £2.13m
- Assistive Technology / Aids & adaptations - £0.66m
- Agile Working Programme - £0.44m

Major works on Public & Operational Buildings - £7.32m

- New depot facilities - £6.50m
- Public Building Repairs & DDA Improvements - £0.67m
- Broadheath Community Centre - £0.15m

Regeneration Projects - £4.62m

- Lancashire CCC - New hotel development - £1.44m
- Altrincham Town Centre - £0.31m
- Stretford Town Centre Public Realm Works - £1.81m
- Purchase of Claremont Centre, Sale - £0.57m
- Land purchase at Sinderland Road, Broadheath - £0.35m
- Town centres business grants - £0.10m

Highway & Transport Related Improvements - £15.02m

- Integrated Transport Improvements - £0.99m
- Metrolink extension contribution - £7.00m
- Highway Structural Maintenance (inc. Bridges) - £4.70m
- LED Replacement Programme - £2.21m
- Car Parking Improvements - £0.12m

Sport, Recreation & Culture and Recycling - £1.29m

- Improvements to parks and open spaces across the borough - £0.33m
- Play Area Refurbishments - £0.18m
- Sport & Leisure Centre developments – £0.45m
- Waste collection and recycling Initiatives - £0.34m

ICT and CCTV Investment £ 1.38m

- CRM Upgrade - £0.55m
- CCTV – Cameras and monitoring desk improvements - £0.24m
- Range of ICT initiatives - £0.59m

Financing of General Capital Expenditure

24. The expenditure was financed predominantly from grants and external contributions, supplemented by receipts derived from the sale of surplus assets and a small level of specific reserves and borrowing. The actual levels applied are shown below:

| Table 6 :Financing of Capital Investment Expenditure 2017/18 | Budget £m | Actual £m |
|---|----------------------|----------------------|
| Internal Resources | | |
| Capital Receipts | 16.42 | 6.19 |
| Specific Reserves & Revenue | 2.89 | 4.00 |
| Borrowing | 10.50 | 8.39 |
| Sub-Total | 29.81 | 18.58 |
| External Resources | | |
| Grants & Contributions | 30.35 | 23.22 |
| Total Programme | 60.16 | 41.80 |

25. Sufficient capital resources will be available to cover all the expenditure re-profiled from 2017/18 to future years. No grants and contributions are at risk of clawback and will therefore be available in later years.

Performance against budget and explanation of major variances

26. The original budget for 2017/18 was approved at £50.74m in February 2017 but this has subsequently been revised during the year for new grant approvals and other changes approved by the Executive resulting in a revised budget of and £60.16m as at Period 10.
27. Final expenditure of £41.80m represents an overall variance of £18.36m. Capital expenditure by its nature can be “lumpy” and difficult to project and in a good number of situations the Council does not have total control on when the expenditure will be incurred. An explanation of the variations by service area are shown in the following table:

| Table 7: Actual Capital Investment Expenditure compared to Revised Budget 2017/18 | | | | | | |
|--|-------------------------|---------------|-----------------|---------------|-------------|--|
| Service Area | Expected Outturn | Actual | Variance | Actual | Note | |
| | £m | £m | £m | % | | |
| Children Families & Wellbeing | | | | | | |
| Schools | 11.93 | 8.57 | (3.36) | 72% | 1 | |
| Children's & Adults Social Care Services | 3.69 | 3.38 | (0.31) | 92% | 2 | |
| Total | 15.62 | 11.95 | (3.67) | 77% | | |
| Economic Growth, Environment & Infrastructure | | | | | | |
| Corporate Landlord | 7.41 | 7.32 | (0.09) | 99% | 3 | |
| Town Centre Regeneration & Strategic Planning | 7.30 | 4.62 | (2.68) | 63% | 4 | |
| Highways & Transport | 20.19 | 14.90 | (5.29) | 74% | 5 | |
| Bereavement Services | 0.61 | 0.03 | (0.58) | 5% | | |
| Sustainability & Greenspace | 1.16 | 0.50 | (0.66) | 43% | 6 | |
| Public Protection | 1.09 | 0.49 | (0.60) | 45% | | |
| Total | 37.76 | 27.86 | (9.90) | 74% | | |
| Transformation & Resources | | | | | | |
| Partnerships & Communities | 2.86 | 0.58 | (2.28) | 20% | 7 | |
| Vision 2031 Portfolio | 1.11 | 0.45 | (0.66) | 41% | | |
| Information Technology | 2.81 | 0.96 | (1.85) | 34% | 8 | |
| Total | 6.78 | 1.99 | (4.79) | 29% | | |
| Capital Programme Total | 60.16 | 41.80 | (18.36) | 70% | | |

➤ **Note 1 - Schools**

The majority of the larger school expansion projects have been delivered successfully, however the completion of the work at Brooklands Primary School has slipped to August 2018 due to adverse weather and foundation issues delaying the start of the project. A small number of capital maintenance schemes have been re-programmed to summer 2018 due to unforeseen asbestos issues, requirement for planning permission and the need to engage utilities providers. Additionally savings on completed schemes are to be re-phased to support the new 2018/19 programme of works.

➤ **Note 2 – Services for Adults**

Delivery of the Social Care and Agile Working ICT projects has been completed in 2017/18, however minor rephasing is required to 2018/19 to cover outstanding final costs. Expenditure on Disabled Facilities Grants is slightly below what was expected and as a result £98k budget has been phased to 2018/19.

➤ **Note 3 – Corporate Landlord**

The new depot facility was opened in summer 2017 at a cost of £6.33m, approximately £1.49m above budget due to a number of additional infrastructure requirements, with the additional works being funded from specific reserves. Delivery on a number of Public Building Repair projects has been delayed and

budget has been re-phased to 2018/19, for example Flixton House which will now be an enhanced scheme in 2018/19.

➤ **Note 4 – Town Centre Regeneration & Strategic Planning**

The redevelopment of Lancashire County Cricket Club has been as expected with the Council's support being as budgeted in year. Also the major public realm works in Altrincham and Stretford town centres have also progressed as expected. Occupation of the new community facility in Altrincham town centre is now to take place in September 2018 and as a result the budget has been re-phased accordingly.

➤ **Note 5 – Highways and Transport**

The majority of the highway and transport programme was delivered as planned during 2017/18.

- Re-phasing has been undertaken on a number schemes funded by Transport for Greater Manchester (TfGM) as a result of delays in confirming the scope of the projects and finalising the legal agreements. TfGM have agreed that the grants supporting the schemes can be carried over to 2018/19.
- The first tranche of the council's contribution for the Metrolink extension of £7m was paid in year with the balance of £13m phased across 2018/19 and 2019/20.
- Delivery of the 2017/18 highways structural maintenance programme (including the £2.0m of additional works agreed during the year) was largely as budgeted with only a minor re-phasing required (due to adverse weather conditions).

➤ **Note 6 – Sustainability & Greenspace**

Work on both parks infrastructure and play areas refurbishments has been undertaken during the year. However re-phasing of £0.55m was required to 2018/19 on a number of schemes where consultation with stakeholders and Friends of Groups was undertaken.

➤ **Note 7 – Partnerships and Communities**

It was originally planned for £1.80m of Transformation Programme costs to be funded via capital by applying the flexible use of capital receipts but alternative funding was identified. As a result these receipts have not been utilised in year and have been carried over to support the 2018/19 Capital Investment Programme.

➤ **Note 8 – Information Technology**

The Customer Relation Management (CRM) Upgrade scheme is still to be completed and as a result £580k is to be reprofiled to 2018/19. Costs are expected to be in excess of the current budget of £2.37m by £74k as a result of additional project team costs. Completion is now planned for the end of August 2018, 2 months later than expected due to a scope change to deliver a solution for the HR programme and an increase in renewal cost of Microsoft licenses; these additional costs are to be financed from the T&R earmarked reserve. There is further re-phasing required across a range of projects that have commenced but will complete in 2018/19 of £471k. Savings of £254k have also been identified, including £227k on the Web/Customer Strategy project which is no-longer a requirement.

28. The level of capital investment expenditure equates to 70% of the revised budget and a summary of the major variances is shown below. Appendix B provides an analysis of the variance at a service level.

| Table 8: Actual Capital Expenditure compared to Expected Outturn 2017/18 | £m |
|---|----------------|
| Outturn Projection 2017/18 | 60.16 |
| Actual | 41.31 |
| Variance | (18.85) |
| Explained By:- | |
| Re-profiling to future years | (18.31) |
| Acceleration | 1.82 |
| Additional (see Appendix B) | 1.90 |
| Savings (see Appendix B) | (3.77) |
| Total | (18.36) |

29. During 2017/18 additional expenditure of £1.90m has been incurred on a number of projects of which £1.80m has been financed from specific resources. Appendix B provides service areas details of overspends and savings shown above.
30. Included in the £1.90m of additional costs are :
- £1.49m relating to the new depot facilities at Tatton House which has been funded by reserve,
 - £122k of highway works of which £39k has been done under S278 of the Highways Act and £83k is to be funded by S106 contributions,
 - £90k of loans for town centre regeneration in Altrincham and Urmston funded by recycling of receipts following repayment of previous loan advances.
 - £75k of works at Wellfield Infants School to the Early Years provision which has been funded by the school, and
 - A new mayoral vehicle at a cost of £25k is covered by reserve.
31. A further £100k of additional costs across a range of schemes has been incurred, however the total value of savings identified funded from internal resources of £655k exceeds additional cost requirements by £555k. (As can be seen in Appendix C).
32. In September 2017 the Executive approved a budget of £6.45m to support major refurbishment works at Urmston Leisure Centre. Following a procurement process Willmot Dixon were identified as the successful tenderer, albeit the tender price exceeded that within the budget. Protracted negotiations have been held with the contractor in order to get the contract sum within budget. Negotiations are continuing over a gap of £590k but the expectation is that by reviewing fee and contingency levels this can be reduced to £500k. Whilst the option to re-tender exists it is not thought that this will achieve a lower contract sum than that currently negotiated. Executive are therefore requested to approve the utilisation of £500k of the savings identified above to be reallocated to this scheme.

33. It is intended to transfer the remainder of the savings into the capital reserve and be carried forward to 2018/19 to support new priorities.

CAPITAL INVESTMENT PROGRAMME

34. The Council's Investment Strategy was approved by the Executive in July 2017 when approval was given to increase the Capital Investment Fund to £300m, supported by prudential borrowing, to support the approach. In 2017/18 five transactions were agreed at a total capital cost of £90.85m. This investment will provide a net benefit to support the revenue budget in 2017/18 and later years.

| Table 9 : Capital Investment Strategy | 2017/18 £m | 2018/19 £m | Total £m | |
|---|----------------------|----------------------|--------------------|-------------------------------------|
| Total Investment Fund | 295.00 | 5.00 | 300.00 | |
| Activity to date : | | | | Average 10 yr.net return (%) |
| Projected Cost | | | | |
| K Site, Stretford (*) | 1.24 | 11.38 | 12.62 | n/a |
| Sonova House, Warrington | 12.17 | | 12.17 | 0.69 |
| DSG, Preston | 17.39 | | 17.39 | 2.60 |
| Grafton Centre incl. Travelodge Hotel, Altrincham | 10.84 | | 10.84 | 1.34 |
| Provision of debt financing for residential development | 3.13 | 34.70 | 37.83 | 6.00 |
| Total investments | 44.77 | 46.08 | 90.85 | |
| Balance available | | | 209.15 | |

Prudential Indicators

35. The Council is required to maintain these indicators which are designed to show that its capital expenditure plans are prudent, affordable and sustainable. Detailed in Appendix D are the actual capital programme related indicators agreed in February 2018, and updated in February 2018. No indicators were breached in 2017/18.

Conclusions & Recommendations

It is recommended that the Executive:

- note the report;
- note the pre-audited revenue budget outturn;
- note the levels of General & Service Reserves and Collection Fund balances and commitments;
- note the outturn position on the Capital Programme and Prudential Indicators;
- approve the additional capital expenditure of £500k on the redevelopment scheme at Urmston Leisure Centre.

Appendix A

| Virements | Children's (£000's) | Adults (£000's) | EGEI (£000's) | T&R (£000's) | Council- wide (£000's) | Total (£000's) |
|--|--------------------------------|----------------------------|--------------------------|-----------------------------|---------------------------------------|---------------------------|
| | | | | | | |
| Period 10 Report | 31,291 | 57,792 | 38,318 | 16,893 | 16,531 | 160,825 |
| Staffing and running costs of the Transformation Fund Bid Project Team | 324 | (1,513) | | 1,189 | | 0 |
| In-year contribution to Transformation Team budget. | | (97) | | 97 | | 0 |
| 2018/19 Budget consultation website costs from Council-wide contingency. | | | | 2 | (2) | 0 |
| Re-alignment of Insurance budgets. | | | | 7 | (7) | 0 |
| Minor re-alignment of DSO budgets | (10) | | (14) | 24 | | 0 |
| Total virements | 314 | (1,610) | (14) | 1,319 | (9) | 0 |
| | | | | | | |
| Period 12 Report | 31,605 | 56,182 | 38,304 | 18,212 | 16,522 | 160,825 |

CAPITAL OUTTURN 2017/18

The Council spent £86.57m on capital schemes last year. A summary analysis of this by service area is shown below, together with further detail on re-profiling, acceleration, overspending and savings.

| | | | | ← Variance Explained By → | | | |
|---|---------------------------|----------------------------|------------------|---------------------------|---------------------|-------------------------|---------------|
| General Programme | Budget 2017/18 | Outturn 2017/18 | Variance | Re- Profiling | Acceleration | Add'n Expend | Saving |
| Service Area | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Children, Families & Wellbeing | 15,620 | 11,950 | (3,670) | 4,396 | (696) | (112) | 82 |
| Economic Growth, Environment & Infrastructure | 37,757 | 27,858 | (9,899) | 11,571 | (737) | (1,736) | 801 |
| Transformation and Resources | 6,780 | 1,990 | (4,790) | 2,348 | (389) | (58) | 2,889 |
| General Programme Total | 60,157 | 41,798 | (18,359) | 18,315 | (1,822) | (1,906) | 3,772 |
| Capital Investment Fund | 295,000 | 44,776 | (250,224) | 250,224 | | | |
| Total Programme | 355,157 | 86,574 | (268,583) | 268,539 | (1,822) | (1,906) | 3,772 |

CAPITAL PROGRAMME 2017/18- Overspends and savings

The total value of savings identified funded from internal resources exceeds additional cost requirements by £555k.

| Scheme | Overspend | Funded | Balance to be funded | Notes |
|--|--------------|--------------|----------------------|----------------------|
| | £000's | £000's | £000's | |
| Relocation of Depot Facilities | 1,492 | 1,492 | | Reserve contribution |
| Integrated Transport & Highways works | 111 | 83 | 28 | S.106 contribution |
| Town Centre Loans | 90 | 90 | | Grant repayments |
| Wellfield Infant School - Early Years Provision | 75 | 75 | | School contribution |
| Highways - S278 works | 39 | 39 | | S.278 contributions |
| New Mayoral Vehicle | 25 | 25 | | Reserve contribution |
| Parks infrastructure works – John Leigh Park | 2 | 2 | | S.106 contributions |
| Adult Social Care Programme | 36 | | 36 | |
| ICT Projects | 32 | | 32 | |
| Old Trafford Extra Care scheme | 4 | | 4 | |
| Total | 1,906 | 1,806 | 100 | |
| Identified savings on internally funded schemes : | | | | |
| ICT Projects | | | 296 | |
| A56 / West Timperley - Improvements | | | 171 | |
| Claremont Centre, Sale - Purchase | | | 69 | |
| Old Trafford Masterplan | | | 80 | |
| Public Building Repairs | | | 28 | |
| Play Area Refurbishments | | | 11 | |
| Total | | | 655 | |
| Balance available | | | 555 | |

Appendix D

Prudential Indicators – Actual 2017/18

The figures below show the Council's actual prudential indicators for 2017/18 compared to estimate.

| Indicator 1: CAPITAL EXPENDITURE | 2017/18 Original Estimate £'000 | 2017/18 Revised Estimate £'000 | 2017/18 Actual £'000 |
|---|--|---|----------------------------|
| General Programme | 50,735 | 59,118 | 41,798 |
| Capital Investment Fund | 15,000 | 295,000 | 44,776 |
| Total Expenditure | 65,735 | 354,118 | 86,574 |

Explanation of variances are given in the Appendices B & C

| Indicator 2: CAPITAL FINANCING REQUIREMENT | 31/3/18 Original Estimate £'000 | 31/3/18 Revised Estimate £'000 | 31/3/18 Actual £'000 |
|---|--|---|----------------------------|
| General Fund | 168,244 | 447,943 | 195,085 |

This is the Council's underlying need to borrow for a capital purpose. The table above reflects the estimated need to borrow for capital investment i.e. the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts.

| Indicator 3: FINANCING COSTS TO NET REVENUE STREAM | 2017/18 Original Estimate % | 2017/18 Revised Estimate % | 2017/18 Actual % |
|---|--------------------------------------|-------------------------------------|------------------------|
| General Fund | 6.4 | 5.5 | 5.3 |

This indicator shows the net borrowing costs and minimum revenue provision as a percentage of the Council's net revenue budget.

| Indicator 4: Incremental impact on Band D council tax and housing rents | 2017/18 Original Estimate £ | 2017/18 Revised Estimate £ | 2017/18 Actual £ |
|--|--------------------------------------|-------------------------------------|------------------------|
| Council Tax – Band D | 0.00 | 0.00 | 0.00 |

The in-year borrowing requirement was less than the amount set aside to repay debt therefore there is no change to this indicator in year.

Local Indicators on the Investment Strategy

| Local Indicators | 2017/18 Original Estimate | 2017/18 Revised Estimate | 2017/18 Actual |
|--|---------------------------------|--------------------------------|-------------------|
| Commercial Net Income to Net Revenue Stream | - | 0.0% | 0.2% |
| <p>Commercial income to net revenue stream - this indicator shows the proportionality of the net income realised from the Council's Capital Investment Strategy (Lease/ rental income less cost of borrowing) against the Council's net revenue stream.</p> | | | |
| Estimated Gross Income | - | £0.621m | £0.627m |
| <p>2018/19 and 2019/20 include estimated one-off income associated with a short term debt finance arrangement.</p> | | | |
| External Interest Cost | - | £0.234m | £0.290m |
| Minimum Revenue Provision (2.5% = 40 years) | - | £NIL | £NIL |
| <p>Each year the fair value of investments will be assessed. If the value is less than the level of outstanding debt then consideration will be given to making an additional charge to the revenue budget.</p> | | | |