

Report to: Cabinet
Council

Date of Meeting: 3 November 2016
17 November 2016

Subject: Revenue and Capital Budget Update 2016/17

Report of: Head of Corporate Resources **Wards Affected:** All

Is this a Key Decision? No
Yes

Is it included in the Forward Plan?

Exempt/Confidential No

Purpose/Summary

To inform Cabinet / Council of: -

- i) The current forecast outturn position for the Council for 2016/17 as at the end of August. This forecast will be informed by the latest analysis of expenditure and income due to the Council, in addition to the progress in delivering approved savings;
- ii) The current forecast on Council Tax and Business Rates collection for 2016/17; and
- iii) The current position of the Capital Programme and to request that two further schemes be added.

Recommendation(s)

Cabinet is recommended to:-

- i) Note the current forecast outturn position as at the end of August 2016;
- ii) Note the progress to date on the achievement of approved savings for 2016/17 and residual savings carried forward from previous years;
- iii) Note the forecast position on the collection of Council Tax and Business Rates for 2016/17;
- iv) Note the current position of the 2016/17 Capital Programme; and
- v) Include additional capital allocations, outlined in paragraph 6.4 and 6.7, to the 2016/17 Capital Programme.

Council is recommended to: -

- i) Include additional capital allocations, outlined in paragraph 6.4 and 6.7, to the 2016/17 Capital Programme.

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	Positive Impact	Neutral Impact	Negative Impact
1	Creating a Learning Community	•		
2	Jobs and Prosperity		•	
3	Environmental Sustainability	•		
4	Health and Well-Being		•	
5	Children and Young People		•	

6	Creating Safe Communities		•	
7	Creating Inclusive Communities		•	
8	Improving the Quality of Council Services and Strengthening Local Democracy		•	

Reasons for the Recommendation:

To ensure Cabinet are informed of the forecast outturn position for the revenue budget and delivery of savings as at end of August 2016. In addition, an updated forecast of the outturn position with regard to the collection of Council Tax and Business Rates. Inform Members of the latest forecast outturn of the Capital Programme, and to include additional schemes financed from Section 106 monies into the Capital Programme.

What will it cost and how will it be financed?

(A) Revenue Costs

i) 2016/17 Revenue Budget

Any under-achievement of the approved revenue budget savings for 2016/17 (and residual savings from previous years) will need to be financed from within any surplus identified within other areas of the 2016/17 budget, or from the Council's general balances.

The current financial position on approved savings indicates that about £8.445m are at significant risk of not being achieved (the "Red" marked items in Annex A). Due to the time required to implement large projects, some savings will not be achieved (or achieved in full) in 2016/17. Further work is being undertaken to assess the likely achievement of these items in 2017/18 and subsequent years.

As at the end of August, the surplus in the remainder of the Council's Budget reduces the potential deficit to £3.571m. Should other budget savings not be identified during the year, then an equivalent level of reserves would be required to support the budget. In previous years, surpluses have tended to materialise throughout the financial year as services restrain spending in order to remain within budget and an appropriate intervention strategy has been implemented. As with previous years, the revenue budget will be closely managed throughout the remainder of the year, with reports provided to Cabinet accordingly.

(B) Capital Costs

The current spend to date on the Capital Programme is £4.433m (18%). Following a review of capital schemes in the current programme, £2.979m of resources have been identified as potentially being available to fund new schemes. However, schemes that require completion will utilise £1.640m of these resources in 2016/17 with further commitments in future years of £1.006m.

The report considers additional capital schemes to be financed from Section 106 monies, and asks that they be added to the 2016/17 Capital Programme.

Implications:

Legal: None

Human Resources None

Equality

Equality Implication

Equality Implications identified and mitigated

Equality Implication identified and risk remains

Impact on Service Delivery:

None.

What consultations have taken place on the proposals and when?

The Head of Corporate Resources is the author of the report (FD 4350/16)

The Head of Regulation and Compliance has been consulted and has no comments on the report. (LD 3633/16)

Are there any other options available for consideration?

None.

Implementation Date for the Decision

Immediately following the call-in period following the publication of the Cabinet Minutes

Contact Officer: Stephan Van Arendsen

Tel: 0151 934 4082

Email: Stephan.VanArendsen@sefton.gov.uk

Background Papers: None

1. Introduction

- 1.1 The Council approved the revenue budget for 2016/17 and this required savings of £37m to be implemented during the year in order for a balanced budget to be delivered. The approved budget also included the use of balances totalling £0.869m (increasing to £0.969m following the approval to continue the modern apprenticeship scheme as agreed by Cabinet in July), pending identification of any alternative means of financing.
- 1.2 This report therefore presents an assessment of the forecast revenue outturn position for 2016/17 and the latest position on the achievement of the agreed savings for 2016/17 (£29.171m), plus the ongoing savings requirements carried forward from previous years.
- 1.3 The report also outlines the current position regarding other key income streams for the Authority, namely Council Tax and Business Rates, as variations against expected receipts in these two areas will also affect the Council's financial position in future years.
- 1.4 Approval of a number of schemes for inclusion the 2016/17 Capital Programme is requested. These include the final phases of two school schemes, plus a number of schemes to be funded from Section 106 monies.

2. Summary of Forecast Outturn Position as at the end of August 2016

- 2.1 At the end of August 2016, a forecast deficit is projected on the Council's outturn budget of £3.571m (previously reported as £3.515m to the end of July). This is shown in the table below:

	Budget	Forecast Outturn	Variance	July Position
	£m	£m	£m	£m
Services				
Strategic Management	2.832	2.832	0	0
Strategic Support Unit	2.753	2.830	0.077	0.117
Adult Social Care	85.850	88.368	2.518	2.964
Children's Social Care	27.587	28.792	1.205	1.083
Communities	10.704	10.287	(0.417)	(0.190)
Corporate Resources	4.131	3.876	(0.255)	(0.055)
Health & Wellbeing	23.301	23.251	(0.050)	0
Inward Investment and Employment	4.126	4.191	0.065	0.065
Locality Services - Commissioned	17.906	18.188	0.282	0
Locality Services - Provision	9.306	10.336	1.030	0.500
Regeneration and Housing	4.497	4.489	(0.008)	0.047
Regulation and Compliance	4.582	4.398	(0.184)	(0.209)
Schools and Families	25.905	25.516	(0.389)	(0.408)
Total Service Net Expenditure	223.480	227.354		
Reversal of Capital Charges	(13.376)	(13.376)	0	0
Council Wide Budgets	3.387	3.084	(0.303)	(0.399)
Levies	33.769	33.769	0	0

General Government Grants	(34.655)	(34.655)	0	0
Total Net Expenditure	212.605	216.176		
Forecast Year-End Deficit			3.571	3.515

2.2 The above statement reflects the forecast shortfall in the achievement of agreed saving proposals (£8.445m – see para. 3.2) with positive action being taken to identify savings across the Authority to partially mitigate this overspend. These savings are from a number of services, particularly Adult Social Care and Schools and Families. Further action is still required to reduce this overspend further in order to try and eliminate this overspend.

2.3 Based upon the current forecast, if this position were to be maintained until the year-end, the use of Council reserves would total £4.540m, due to the budget already assuming the use of reserves totalling £0.969m.

2.4 It can be seen from the Table at paragraph 2.1 that the key movements between July and August are as follows:-

2.4.1 The Adult Social Care budget position has improved by £0.446m. This is mainly due to a reduction in the forecast expenditure relating to community care budgets (£0.278m) and a forecast reduction in spend in the Strategic Transport Unit budget for Adult Social Care (£0.250m). Budgeted income of £6m from Clinical Commissioning Groups, via the Better Care Fund, will not be received during the year. As a result, a lower contribution of £0.910m will be received. This outcome has placed a significant budgetary pressure on the service and the wider Council finances for which compensatory savings will be required. It is particularly disappointing that the Fund which was intended to protect social care services has not delivered on this objective.

2.4.2 The Communities budget is forecasting an increase in the year-end surplus of £0.227m due to various business rates refunds being made on libraries along with savings being made on employee budgets.

2.4.3 Following a review of Corporate Resources, there have been additional savings on salaries identified within Asset Management (£0.100m) and a forecast reduction in spend, primarily on supplies and services, within Finance and Personnel (£0.100m).

2.4.4 However, there are services where an adverse position is currently being forecast. These are:

- Locality Services Provision is forecasting an increase in the service deficit of £0.530m. This increase is mainly due to the saving requirement for green waste not being achieved (£0.430m). In addition, forecast income levels from burials and cremations currently indicate a further £0.050m shortfall mainly due to competition from a newly opened private sector facility and also reduced capacity at Thornton Crematorium for 3 months while the cremator is replaced. Lower than anticipated income has also contributed to a further £0.050m shortfall on the Security Service due to a reduction in the demand for the service and the inability to reduce fixed

costs associated with the delivery of the service to an equivalent extent. A review of the service is being undertaken to explore ways in which the overspend can be mitigated and to secure the future financial sustainability of the service.

- Within the Locality Services Commissioned service, there is an inability to achieve a saving of £0.530m on Street Lighting. Due to the identification of savings elsewhere within the service, the forecast impact of this has been reduced to a deficit of £0.282m and work is continuing in an effort to reduce this further.

3. Approved savings for 2016/17 (and previous years carry forward savings)

3.1 The table at **Annex A** identifies the current position of the agreed savings for 2016/17. They are analysed into four categories: -

- Savings achieved to date (Blue);
- Progress is satisfactory (Green);
- Outcome is unknown and is at risk of not being fully achieved (Amber); and
- Known shortfalls, or significant risk of not being achieved (Red).

This approach is designed to ensure complete transparency, effective risk management and improved consultation and engagement.

It should be noted that individual savings may be categorised into more than one area; for example, part of the work to achieve a required saving may be on track (and a value can be shown in Green), whilst another element is potentially at risk (and therefore shown as Amber).

3.2 The position as at the end of August 2016 for the achievement of savings is unchanged from previously reported. There is £28.345m (76%) of the total required savings in 2016/17 of £37.407m that have been delivered or are on plan; with £0.617m (1%) at some risk of not being fully achieved. This leaves a further £8.445m (23%) of savings that are unlikely to be achieved in 2016/17 (identified as "Red"). Mitigating action elsewhere in the budget has considerably reduced this gap; however, further action is still required to balance the budget.

3.3 As with previous years, all budget savings will continue to be closely managed, with regular reports being presented to Cabinet and Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services). Officers will also continue to be mindful of the ongoing financial position and take appropriate action where further efficiencies can be found which do not require a change of policy.

4. Council Tax Income – Update

4.1 Council Tax income is shared between the billing authority (Sefton Council) and the two major precepting authorities (the Fire and Rescue Authority, and the Police and Crime Commissioner) pro-rata to their demand on the Collection Fund. The Council's Budget included a Council Tax Requirement of £111.644m for 2016/17 (including Parish Precepts), which represents 85.4% of the net Council Tax income of £130.689m.

4.2 The forecast outturn at the end of August 2016 is a surplus of -£1.583m (-£1.547m to the end of July) on Council Tax income. This is due to:-

- The surplus on the fund at the end of 2015/16 being higher than estimated at -£0.462m;
- Gross Council Tax Charges in 2016/17 being higher than estimated at -£0.636m, a change of -£0.024m from July; and
- Council Tax Reduction Scheme discounts being lower than estimated at -£0.327m, a change of +£0.032m from July.

4.3 Due to Collection Fund regulations, the Council Tax surplus will not be transferred to the General Fund in 2016/17 but will be carried forward to be distributed in future years.

5. Business Rates Income – Update

5.1 Since 1 April 2013, Business Rates income has been shared between the Government (50%), the Council (49%) and the Fire and Rescue Authority (1%). The Council's Budget included retained Business Rates income of £32.975m for 2016/17, which represents 49% of the net Business Rates income of £67.296m. Business Rates income has historically been very volatile making it difficult to forecast accurately.

5.2 The forecast outturn at the end of August 2016 is a deficit of £1.950m (£2.246m to the end of July) on Business Rates income. This is due to:

- The surplus on the fund at the end of 2015/16 being lower than estimated £2.438m;
- In year budget variations to date in 2016/17 of -£0.488m which are largely due to the rateable value of properties increasing since December 2015 rather than reducing as forecast.

5.3 Due to Collection Fund regulations, the Business Rates deficit will not be transferred to the General Fund in 2016/17 but will be carried forward to be recovered in future years.

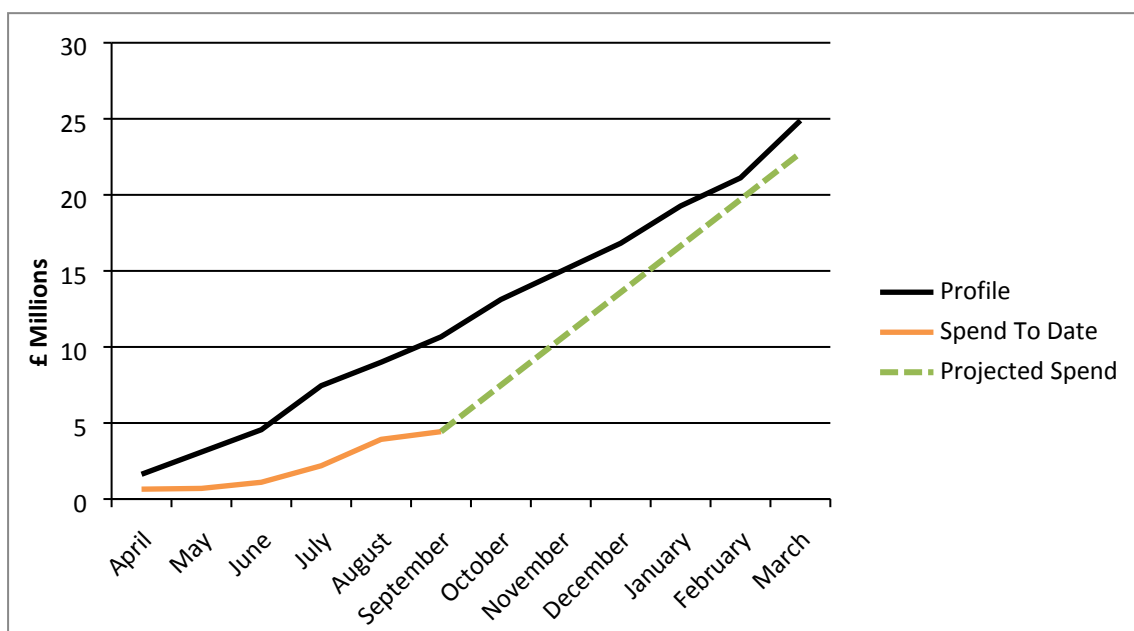
6. Capital Programme 2016/17

6.1 Following a detailed review, a full analysis of the Council's Capital Programme is shown below. This reflects schemes that have been approved in previous years and that those schemes that have been approved to commence in the current year. Capital payments of £23.192m are due in 2016/17. The following table shows the current full year budget, actual expenditure to date and the forecast outturn.

Budget / Resources	2016/17 Budget	Current In-Year Expenditure	Forecast Year-End Expenditure	Potential Funding Available
	£m	£m	£m	£m
Previous Years'	18.660	4.012	16.521	-2.139

Programme				
2016/17 New Starts	6.671	0.421	6.671	0.000
TOTAL	25.331	4.433	23.192	-2.139

6.2 The following graph below shows the 2016/17 Capital Programme expenditure to date against the profiled budget.



6.3 The table above identifies that the current and previous years' programme has identified £2.139m of potential resources being available for other schemes. In addition, there is currently £0.840m of previously unallocated resources relating to 2016/17. This gives a total of £2.979m of resources that are available to fund new schemes in 2016/17.

6.4 As part of the exercise, two school schemes were identified as requiring resources in order to complete the final phases of development. These schemes are at Norwood and Litherland Moss Primary Schools (and require funding of £1.640m in 2016/17, with further commitments of £1.006m in 2017/18 and beyond). This report seeks the required resource in 2016/17 for these schemes (£1.640m) to be included in the Capital Programme. Should these allocations be approved, approximately £1.339m of funding remains unallocated in 2016/17.

6.5 Expenditure has been at a level below the profiled budget throughout the year to date. As a result, the Capital Programme and each scheme within it will require careful monitoring of both delivery and financial management in order that accurate forecasts are maintained and any re-profiling can take place.

6.6 A detailed service by service breakdown of the expenditure is shown in the following table:

	Full Year Budget	Expenditure to September	September as a % of Budget	Budget Remaining
	£m	£m	%	£m
Health & Wellbeing	0.504	0.065	12.9%	0.439
Communities	2.392	0.371	15.5%	2.021
Schools and Families	4.220	1.891	44.8%	2.329
Regulation and Compliance	0.168	0.013	7.7%	0.155
Regeneration and Housing	2.398	0.164	6.8%	2.234
Adult Social Care	2.354	0.577	24.5%	1.777
Locality Services - Provision	2.740	0.419	15.3%	2.321
Locality Services - Commissioned	8.456	0.810	9.6%	7.646
Corporate Support	1.399	0.123	8.8%	1.276
Uncommitted Capital Grant	0.700	0.000	0.0%	0.700
Total Capital Programme	25.331	4.433	18%	20.898

6.7 Further additions to the 2016/17 Capital Programme.

In addition to the two schemes at Norwood and Litherland Moss Primary Schools (referred to in paragraph 6.4), Section 106 monies are contributing to identified projects in the following Wards; approval is needed to include them in the Capital Programme. Ward councillors have been involved in the process to agree where and how the monies should be spent, along with support from area co-ordinators. The following table identifies what resources have agreed in the following wards.

	£
Ravenmeols	5,750
Harington	36,100
Cambridge	15,475
Dukes	10,350
Blundellsands	47,000
Linacre	100,000
Derby	160,000
Molyneux	8,800
Manor	48,849
Sudell Ward	9,300
Litherland	291,601
St. Oswald's	49,970
Ford	18,040
Netherton & Orrell	44,260

Council is recommended to add these fully funded projects to the Capital Programme.