

Report to: Cabinet

Date of Meeting: 1 December 2016

Subject: Revenue and Capital Budget Update 2016/17

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

Is this a Key Decision? No **Is it included in the Forward Plan?** Yes

Exempt/Confidential No

Purpose/Summary

To inform Cabinet of: -

- i) The current forecast outturn position for the Council for 2016/17 as at the end of September. 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.

Recommendation(s)

Cabinet is recommended to:-

- i) Review the current forecast outturn position as at the end of September 2016, together with the impact on the Council's Reserves position;
- ii) Review 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; and
- iv) Note the current position of 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 September 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.

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 £6.934m 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 September, the surplus in the remainder of the Council's Budget reduces the potential deficit to £3.564m. 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

As at the end of September, spend on the Capital Programme is £4.433m (17%) which is below the profiled budget. Individual schemes will require careful monitoring of both delivery and financial management throughout the remainder of the year.

Implications: None

Legal:

Human Resources None

EqualityEquality 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 4389/16)

The Head of Regulation and Compliance has been consulted and has no comments on the report. (LD 3672/16)

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 An updated position with regard to the 2016/17 Capital Programme is also provided as at the end of September, following the recently approved additions to the programme.

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

- 2.1 At the end of September 2016, a forecast deficit is projected on the Council's outturn budget of £3.564m (previously reported as £3.571m to the end of August). This is shown in the table below:

	Budget	Forecast Outturn	Variance	August Position
	£m	£m	£m	£m
<u>Services</u>				
Strategic Management	2.825	2.825	0	0
Strategic Support Unit	2.891	2.938	0.047	0.077
Adult Social Care	86.310	89.193	2.883	2.518
Children's Social Care	27.548	28.665	1.117	1.205
Communities	10.694	10.217	(0.477)	(0.417)
Corporate Resources	4.005	3.735	(0.270)	(0.255)
Health & Wellbeing	23.311	23.211	(0.100)	(0.050)
Inward Investment and Employment	4.116	4.205	0.089	0.065
Locality Services - Commissioned	17.961	18.296	0.335	0.282
Locality Services - Provision	9.288	10.318	1.030	1.030
Regeneration and Housing	4.499	4.474	(0.025)	(0.008)
Regulation and Compliance	4.515	4.301	(0.214)	(0.184)
Schools and Families	25.947	25.463	(0.484)	(0.389)
<u>Total Service Net Expenditure</u>	223.910	227.841		

Reversal of Capital Charges	(13.376)	(13.376)	0	0
Council Wide Budgets	3.105	2.738	(0.367)	(0.303)
Levies	33.769	33.769	0	0
General Government Grants	(34.803)	(34.803)	0	0
Total Net Expenditure	212.605	216.169		
Forecast Year-End Deficit			3.564	3.571

- 2.2 The above statement reflects the forecast shortfall in the achievement of agreed saving proposals (£6.934m – 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, Schools and Families and Corporate Resources. Further action is still required to reduce this overspend further in order to achieve a balanced budget position.
- 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 £4.630m, 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 August and September are as follows:-
- 2.4.1 The Adult Social Care deficit has increased by £0.365m. This is mainly due to a reduction in the surplus relating to community care budgets (£0.465m), partially offset by a forecast surplus in other areas within the Adult Social Care budget including employees and employee related transport. 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. As previously reported, 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 Schools and Families budget is forecasting an increase in the surplus of £0.095m. This increase is due to Education Services (£0.043m) and SEN and Inclusion Services (£0.052m) mainly as a result of vacancies.
- 2.4.3 In addition to these items, other key variances affecting the forecast outturn are:
- The Children’s Social Care budget deficit has reduced mainly as a result of lower levels of placements and packages (£0.132m). However, the net overall forecast overspend is still significant (£1.1m).
 - The Locality Services Commissioned service is forecasting a deficit of £0.335m. This is partly due to an inability to achieve a saving of £0.530m on Street Lighting which has been reduced to £0.287m due to the identification of savings elsewhere within the service and work is

continuing in an effort to reduce this further. Since the previously reported position, there has been an increase in the deficit as a result of an overspending within the Flood, Coastal Erosion and Risk Management Division.

- Locality Services Provision is forecasting a service deficit of £1.030m. This is partly 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 £0.200m 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 £0.200m 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 mitigating savings and to secure the future financial sustainability of the service. Building cleaning is currently forecasting a deficit of £0.200m relating to underachievement of income.

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 September 2016 for the achievement of savings is that £28.345m (79%) of the total required savings in 2016/17 of £35.916m that have been delivered or are on plan; with £0.637m (2%) at some risk of not being fully achieved. This leaves a further £6.934m (19%) 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.

- 3.4 In the event that the current outturn forecast materialises, the Council's General Fund Reserves will reduce as £4.533m will be required to balance the 2016/17 budget. This reduction will result in reserves of £3.645m remaining. This level would therefore need to be considered in the context of the Council's current funding gap identified within the Medium Term Financial Plan and the overall level of reserves that are considered appropriate for an organisation of this size. As a result a pro-active review of all budget areas will be undertaken to address the current pressure and this will be reported to members when complete.

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 September 2016 is a surplus of -£1.892m (-£1.583m to the end of August) 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 -£0.630m, a change of +£0.006m from August;
- Council Tax Reduction Scheme discounts being lower than estimated at -£0.401m, a change of -£0.074m from August;
- Exemptions and Discounts (including a forecasting adjustment) being lower than estimated at -£0.242m, a change of -£0.084m from August; and
- Bad Debt Provision being lower than estimated at -£0.157m.

- 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 September 2016 is a deficit of £1.913m (£1.950m to the end of August) 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 -£0.525m which are largely due to the rateable value of properties increasing since December 2015 rather than reducing as forecast.

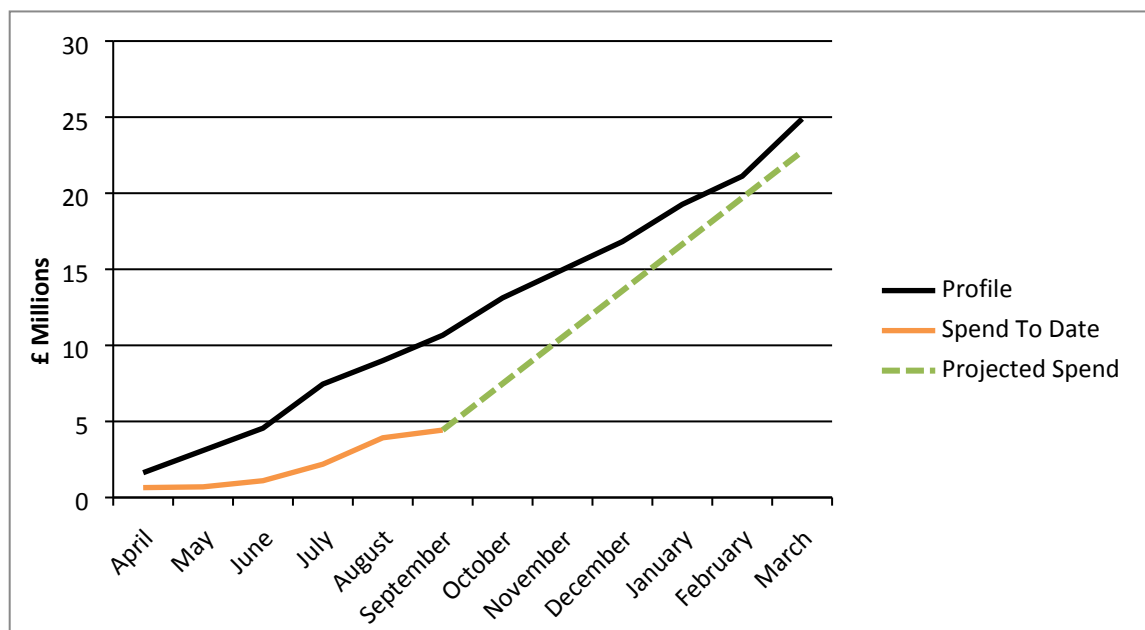
5.3 Due to Collection Fund regulations, the Business Rates deficit will not be transferred to the General Fund in 2016/17 but will be carried forward to be recovered in future years.

6. Capital Programme 2016/17

6.1 The latest position on Capital Programme expenditure at the end of September, was £4.433m against a full year budget of £25.401m. This represents 17% of the full year Capital Programme.

6.2 Members will recall that schemes at Norwood Primary School Phase 3 and Litherland Moss Phase 3, together with a number of s106 funded schemes were approved at the last Cabinet meeting and subsequently Council on 17 November 2016. These are now reflected in the Capital Programme

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



6.4 The graph shows that 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 throughout the remainder of the year. At present, project managers are forecasting that the full programme will be delivered in year, as set out. Any exceptions will be reported to Members as they arise.

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

	Full Year Budget	Total Expenditure to Date	% of Budget Spent	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	4.290	1.891	44.1%	2.399
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	25.401	4.433	17%	20.968