

Report to: Cabinet

Date of Meeting: 12 January 2017

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 October. 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) Note the forecast deficit outturn position (£2.827m) as at the end of October 2016, and the approach currently being undertaken to reduce this in advance of the year end;
- 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 October 2016 and the approach currently being undertaken to address the forecast overspend in advance of year end. In addition, an updated forecast of the outturn position with regard to the collection of Council Tax and Business Rates. The report also informs 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 £6.875m 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 October, the surplus in the remainder of the Council's Budget reduces the potential deficit to £2.827m. Work is currently being undertaken in order to identify options to mitigate this in advance of the year end. 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 October, expenditure on the Capital Programme is £6.482m (27.1%) which is below the profiled budget for this point in the financial year. As a result individual schemes will require careful monitoring of both delivery and financial management each month in order that a clear assessment of when outputs will be delivered can be made and appropriate re-profiling can take place.

Implications: None

Legal:

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 4441/16)

The Head of Regulation and Compliance has been consulted and has no comments on the report. (LD3724/16)

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 October, following the recently approved additions to the programme.

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

- 2.1 At the end of October 2016, a forecast deficit is projected on the Council's outturn budget of £2.827m (previously reported as £3.564m to the end of September). This is shown in the table below:

| | Budget | Forecast Outturn | Variance | September Position |
|---|----------------|-----------------------------|-----------------|-------------------------------|
| | £m | £m | £m | £m |
| <u>Services</u> | | | | |
| Strategic Management | 2.991 | 2.991 | 0 | 0 |
| Strategic Support Unit | 2.891 | 2.807 | (0.084) | 0.047 |
| Adult Social Care | 86.144 | 89.205 | 3.061 | 2.883 |
| Children's Social Care | 27.548 | 28.552 | 1.004 | 1.117 |
| Communities | 10.694 | 10.102 | (0.592) | (0.477) |
| Corporate Resources | 4.005 | 3.655 | (0.350) | (0.270) |
| Health & Wellbeing | 23.311 | 22.936 | (0.375) | (0.100) |
| Inward Investment and Employment | 2.517 | 2.691 | 0.174 | 0.089 |
| Locality Services - Commissioned | 17.961 | 18.331 | 0.370 | 0.335 |
| Locality Services - Provision | 9.288 | 10.318 | 1.030 | 1.030 |
| Regeneration and Housing | 4.499 | 4.474 | (0.025) | (0.025) |
| Regulation and Compliance | 4.515 | 4.301 | (0.214) | (0.214) |
| Schools and Families | 25.962 | 25.317 | (0.645) | (0.484) |
| | | | | |
| <u>Total Service Net Expenditure</u> | 222.326 | 225.680 | | |
| | | | | |

| | | | | |
|----------------------------------|----------------|----------------|--------------|--------------|
| Reversal of Capital Charges | (13.376) | (13.376) | 0 | 0 |
| Council Wide Budgets | 4.689 | 4.162 | (0.527) | (0.367) |
| Levies | 33.769 | 33.769 | 0 | 0 |
| General Government Grants | (34.803) | (34.803) | 0 | 0 |
| | | | | |
| Total Net Expenditure | 212.605 | 215.432 | | |
| | | | | |
| Forecast Year-End Deficit | | | 2.827 | 3.564 |

2.2 In reporting this forecast deficit, this takes account of the shortfall in the achievement of agreed saving proposals (£6.875m – see para. 3.2) but also importantly the impact of the Council not receiving the £6m budgeted income from the Better Care Fund.

2.3 In order to mitigate this financial pressure, some compensating savings have been identified and if this position were to be maintained until the year-end, the use of Council reserves would total £3.796m, 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 September and October are as follows:-

2.4.1 The Adult Social Care deficit has increased by £0.178m. This is mainly due to a reduction in the surplus relating to community care budgets (£0.378m) partially offset by forecast surplus in other areas within the Adult Social Care budget including employees and employee related transport. As previously reported 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.

2.4.2 The Locality Services- Commissioned deficit position has increased as a result of costs to be incurred when the Grounds Maintenance service is brought back in house towards the end of this financial year. It should be noted that there is a corresponding surplus held within the Communities budget relating to that service's Parks budget.

2.4.3 Similarly, there are a number of services where there is an increase in the surplus currently being forecast. These include:

- Health and Wellbeing surplus is expected to increase by £0.275m as a result of a reduction in the Substance Misuse contract when it is recommissioned;
- The Schools and Families budget is forecasting an increase in the surplus of £0.161m. This increase is due to Family Support (£0.150m) mainly as a result of specialist equipment (£0.058k), employee costs within Aiming High (£0.056k) and Parenting Support (£0.041k);

- The Council Wide budget surplus has increased mainly as a result of the STU budget growth not being fully required in the 2016/17 financial year, with a further £0.138m identified since September;
- The Strategic Support budget surplus is forecast to increase by £0.131m as a result of Employee, Supplies and Services, and Income budgets.

Development of a Budget Action Plan

- 2.5 Despite the forecast deficit for the year falling from £3.564m to £2.827m during the last month, it is recognised that further options to improve the overall position are required as the Council enters the last quarter of the financial year. As a result, each service is currently reviewing their budgets with a view to identifying uncommitted funding and other mitigating actions that could reduce this deficit.
- 2.6 The outcome of this work will be consolidated and will be reflected in the monitoring report for the next period. In previous years, the Council has seen its year end forecast improve towards the end of the financial year as a result of a similar approach and a greater understanding of payments that will be made being available. Due to the potential impact on the Councils reserve position this exercise has been brought forward and will be reported to Members.

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 October 2016 for the achievement of savings is that £28.514m (79%) of the total required savings in 2016/17 of £35.916m that have been delivered or are on plan; with £0.527m (2%) at some risk of not being fully achieved. This leaves a further £6.875m (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 As stated, in the event that the current outturn forecast materialises, the Council's General Fund Reserves would reduce to £4.382m which would need to be considered in the context of the Council's Medium Term Financial Plan and the risks that will be reflected in its reserves strategy. As a result the current review of all budget areas and remedial options is important in order that a balanced budget position can be delivered as the Council enters the final quarter of the financial year.

4. Council Tax Income – Update

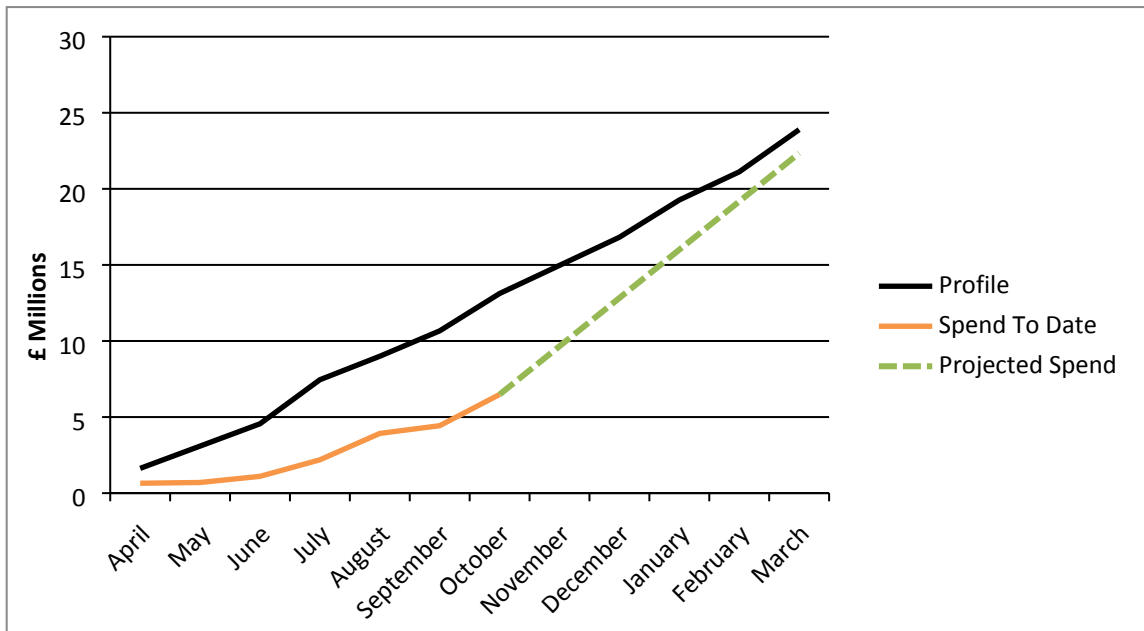
- 4.1 Council Tax income is shared between the billing authority (Sefton Council) and the two major precepting authorities (the Fire and Rescue Authority, and the Police and Crime Commissioner) pro-rata to their demand on the Collection Fund. The Council's Budget included a Council Tax Requirement of £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 October 2016 is a surplus of -£2.060m (-£1.892m to the end of September) 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 -£0.711m, a change of -£0.081m from September;
 - Council Tax Reduction Scheme discounts being lower than estimated at -£0.505m, a change of -£0.104m from September;
 - Exemptions and Discounts (including a forecasting adjustment) being lower than estimated at -£0.225m, a change of +£0.017m from September; and
 - Bad Debt Provision being lower than estimated at -£0.157m, no change since September.
- 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 October 2016 is a deficit of £1.616m (£1.913m to the end of September) 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 -£0.822m 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 full year budget for the Capital Programme in 2016/17 is £23.892m. This represents £9.779m of schemes that have been approved in the current year and £14.113m in relation to schemes approved in previous years. As at the end of October, expenditure of £6.482m has been incurred against this budget. This represents 27.1% of the full year Capital Programme.
- 6.2 Despite this level of expenditure, project managers are reporting that expenditure of £22.345m will be incurred by the end of the financial year. The following graph therefore shows the 2016/17 Capital Programme expenditure to date and the year-end forecast against the profiled budget.



6.3 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 | 0.364 | 0.065 | 17.9% | 0.299 |
| Communities | 2.279 | 0.620 | 27.2% | 1.659 |
| Schools and Families | 4.402 | 2.277 | 51.7% | 2.125 |
| Regulation and Compliance | 0.168 | 0.110 | 65.5% | 0.058 |
| Regeneration and Housing | 2.398 | 0.171 | 7.1% | 2.227 |
| Adult Social Care | 2.323 | 0.752 | 32.4% | 1.571 |
| Locality Services - Provision | 2.540 | 0.579 | 22.8% | 1.961 |
| Locality Services - Commissioned | 8.391 | 1.742 | 20.8% | 6.649 |
| Corporate Support | 1.027 | 0.166 | 16.2% | 0.861 |
| Total Capital Programme | 23.892 | 6.482 | 27.1% | 17.410 |

6.4 With a capital programme in excess of £20m, it is currently forecast that a number of key projects will be operationally complete during 2016/17. These include:-

| Project | Impact | Total Project Value £'m |
|---|---|-------------------------|
| Transport – Carriageway Maintenance 2016/17 | Ongoing preservation / maintenance of the Highway network | 2.727 |
| Transport – Integrated | Improvements to the transport network e.g. | 2.059 |

| | | |
|--|---|-------|
| Transport 2016/17 | travel awareness, cycling and health, local safety schemes, traffic management schemes | |
| Transport Programme STEP | A565 improvement, Seaforth Village improvements and A59 Ormskirk Road Access Improvements | 1.540 |
| Vehicle Replacement 2016/17 | Planned replacement of vehicles incorporating refuse vehicles and other departmental vehicles e.g. libraries, in order to maintain fleet resilience | 1.241 |
| HMRI 2016/17 | Housing / Regeneration improvements which includes HMRI schemes for Klondyke Phases 2A and 2C; | 1.078 |
| Atkinson Museum Development | Development and improvement of facilities at the new museum | 0.708 |
| Dunes Leisure Centre Mezzanine Floor Gym | Invest to Save Scheme – Building and Infrastructure changes in order to generate additional income. | 0.504 |
| Formby Library | Capital investment to ensure that the remaining libraries are fit for purpose now and in the future | 0.370 |
| Transport - Bridges and Structures 2016/17 | Improvements / maintenance of the highways bridges and structures | 0.314 |
| Meadows Leisure Centre Extended Gym | Invest to Save Scheme – Building and Infrastructure changes in order to generate additional income. | 0.303 |
| Crosby Lakeside Adventure Centre | Invest to Save Scheme – Building and Infrastructure changes in order to generate additional income. | 0.291 |
| ICT Data Centre | Improvement of resilience of ICT data storage | 0.250 |
| Bootle Library | Capital investment to ensure that the remaining libraries are fit for purpose now and in the future | 0.100 |

6.5 In reviewing the current position on the capital programme it should be noted that as part of the new and improved capital monitoring arrangements, a capital outturn report for 2016/17 will be presented to Cabinet (in conjunction with the revenue outturn) at year end. In addition to providing detail of in year expenditure and those schemes that have been completed, it will also provide details of those schemes that have underspent or are yet to start. This review will provide Members with some opportunity to ensure that those schemes that are to be carried forward into the next year remain a priority and align with the objectives of the Council. This will also improve the delivery and financial performance of the overall programme.