

Report to: Cabinet

Date of Meeting: 16 February 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 December. 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 and consider the forecast deficit outturn position (£0.063m) as at the end of December 2016, together with the impact on the Council's General Fund 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;
- iv) Note the current position of the 2016/17 Capital Programme; and
- v) Receive a verbal update and consider the views of Overview and Scrutiny Committee in relation to the 2017/18 Budget and Medium Term Financial Plan 2017/18 to 2019/20.

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			
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Reasons for the Recommendation:

To ensure Cabinet are informed of the forecast outturn position for the 2016/17 revenue and capital budgets as at the end of December 2016 and to provide an updated forecast of the outturn position with regard to the collection of Council Tax and Business Rates.

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 £6.789m 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. Work has been undertaken to assess the likely achievement of these items in 2017/18 and this is reflected in the proposed budget package that was reported to Cabinet on 12 January 2017.

As at the end of December, the surplus in the remainder of the Council’s Budget reduces the potential deficit to £0.063m. Should other budget savings not be identified during the year, then an equivalent level of reserves would be required to support the budget.

(B) Capital Costs

As at the end of December, expenditure on the Capital Programme is £11.100m (46.2%) 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

No 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 (FD4490/17)

The Head of Regulation and Compliance has been consulted and has no comments on the report. (LD 3773/17)

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

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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 December, following the recently approved additions to the programme.

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

- 2.1 At the end of December 2016, a forecast deficit is projected on the Council's outturn budget of £0.063m. This is shown in the table below:

	Budget	Forecast Outturn	Variance	Position previously reported
	£m	£m	£m	£m
Services				
Strategic Management	2.974	2.949	(0.025)	0
Strategic Support Unit	2.891	2.765	(0.126)	(0.084)
Adult Social Care	86.172	89.081	2.909	3.061
Children's Social Care	27.548	28.461	0.913	1.004
Communities	10.572	9.900	(0.672)	(0.592)
Corporate Resources	4.069	3.666	(0.403)	(0.350)
Health & Wellbeing	23.311	22.736	(0.575)	(0.375)
Inward Investment and Employment	2.516	2.610	0.094	0.174
Locality Services - Commissioned	18.586	18.980	0.394	0.370
Locality Services - Provision	9.381	10.249	0.868	1.030
Regeneration and Housing	4.653	4.532	(0.121)	(0.025)
Regulation and Compliance	4.428	4.019	(0.409)	(0.214)
Schools and Families	25.773	25.224	(0.549)	(0.645)
Total Service Net Expenditure	222.874	225.068		
Reversal of Capital Charges	(13.376)	(13.376)	0	0

Council Wide Budgets	4.141	1.906	(2.235)	(0.527)
Levies	33.769	33.769	0	0
General Government Grants	(34.803)	(34.803)	0	0
Total Net Expenditure	212.605	212.564		
Forecast Year-End Deficit			0.063	2.827

2.2 It can be seen from the table at paragraph 2.1 that a small deficit of £0.063m is forecast for the year. This compares favourably with the £2.827m that was previously forecast and reflects the identification of a number of remedial measures and revised forecasts that will be implemented.

2.3 The key changes in the year end forecast since the previous period are:-

- Following a comprehensive review, the centrally held budgets are now forecasting a significant underspend. In addition, a further £0.172m of Senior Management savings have been identified;
- The Adult Social Care position has improved by £0.152m. During the period there has been increased pressure on the Community Care budget of £0.439m, however this has been offset by mitigating actions of £0.540m along with a further contribution from the Care Act funding of £0.045m. As with previous years, due the volatility of these demand led budgets, careful monitoring will need to take place during the remainder of the year;
- The Locality Services Provision service deficit position has reduced by £0.162m through a temporary reduction in supplies and services and premises related expenditure. It should be noted that a significant deficit position remains on the overall budget which is currently the subject of a detailed review.
- The Health and Wellbeing service has increased its surplus by £0.200m. Contributing to this increase is additional Sports Income (£0.080m), together with expenditure reductions in respect of Public Health administration (£0.060m), Health Checks (£0.040m) and Health Protection (£0.030m).
- The surplus on the Regulation and Compliance service has increased by £0.195m. The continued impact of vacant posts, additional income and control over non-essential spend, (the need for which has been emphasised across all Council services) have contributed to the improved position.

2.4 Following the work to bring the overall budget back into a forecast balanced position, it will be important that detailed monitoring continues throughout the remainder of the year, as there may still be variations that emerge, most notably in Adults and Children's Social Care and also the council's winter maintenance budgets. These budgets will be the focus of scrutiny during the last 3 months of the financial year.

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 December 2016 is that £28.724m (80%) of the total required savings have been delivered or are on plan; with £0.403m (1%) at some risk of not being fully achieved. This leaves a further £6.789m (19%) of savings that are unlikely to be achieved in 2016/17 (identified as "Red"). As previously reported, mitigating actions elsewhere in the budget have led to this non-delivery being offset and a broadly balanced position being reported.

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 December 2016 is a surplus of £2.367m (an improvement of £0.3m to that previously reported). This is primarily 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 - £0.759m;
 - Council Tax Reduction Scheme discounts being lower than estimated at - £0.588m;
 - Exemptions and Discounts (including a forecasting adjustment) being lower than estimated at -£0.403m; and
 - Bad Debt Provision being lower than estimated at -£0.155m.
- 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

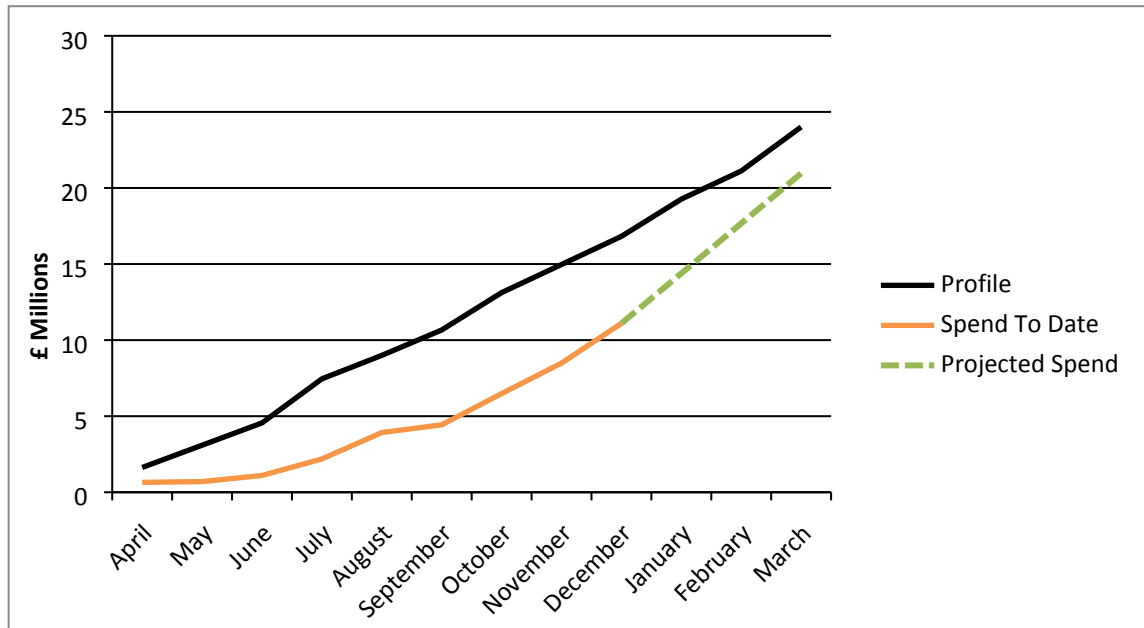
- 5.1 Since 1 April 2013, Business Rates income has been shared between the Government (50%), the Council (49%) and the Fire and Rescue Authority (1%). The Council's Budget included retained Business Rates income of £32.975m for 2016/17, which represents 49% of the net Business Rates income of £67.296m. Business Rates income has historically been very volatile making it difficult to forecast accurately.
- 5.2 The forecast outturn at the end of December 2016 is a deficit of £2.437m (£1.616m to the end of October) on Business Rates income. This is due to:
- The surplus on the fund at the end of 2015/16 being lower than estimated £2.437m;
 - There are no in year budget variations to date in 2016/17 (previously £0.822m). This is a change from that previously reported as the 2016/17 surplus generated is being used to fund the appeals provision. A review of the appeals provision has been undertaken and it was deemed to be at an insufficient level. The amount of appeals made and the timing and cost of appeals settled during the year is highly volatile and a further review will be undertaken at the year end.
- 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 £24.011m. This represents £9.898m of schemes that have been approved in the current year and £14.113m in relation to schemes approved in previous years.
- 6.2 As at the end of December, expenditure of £11.100m has been incurred against this budget. This represents 46.2% of the full year Capital Programme.

This level of expenditure represents an increase from the previously reported position (October) of £4.618m.

6.3 Project managers are currently reporting that expenditure of £20.959m will be incurred by the end of the financial year. Based upon current expenditure levels, this would mean that £9.8m will need to be incurred in the last 3 months 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.



6.4 The key variations in the year end forecast compared to the last reported period are shown below

Scheme	2016/17 Budget £'m	Previous Forecast £'m	Current Forecast £'m	Explanation
Thornton Crematorium upgrade	1.100	1.100	1.026	Slippage of £74k into 2017/18 due to additional flue work – will be contained within budget
Dunes all weather pitches	0.203	0.203	0	Scheme viability still being reviewed
CLAC High Ropes	0.069	0.069	0.004	Planning permission not granted
Melrose House Boiler	0.046	0.046	0	A request will be made to Re-phase this scheme into 2017/18
Talbot Street Family Centre Boilers	0.056	0.056	0	A request will be made to Re-phase this scheme into 2017/18.

I.T. Members ICT & Mobile Technology	0.020	0.020	0	Scheme will not be undertaken and re-phasing will be requested
E Government Priority Service Outcomes	0.037	0.037	0	Scheme will not be undertaken and re-phasing will be requested.
Adult Social Care Transformation – St Peters House	0.016	0.016	0	Work completed. Budget no longer required.
Adult Social Care Transformation - Shakespeare Centre	0.060	0.060	0	Work completed. Budget no longer required.
Maghull & District Community & Business Hub	0.024	0.024	0	Project ended, budget not required
Unallocated Town & Village Centres	0.065	0.065	0	Project ended, budget not required
Marian Square, Netherton CCTV	0.042	0.042	0	Awaiting possible purchase of land
Unalloc. Capital Priorities Fund	0.053	0.053	0	Re-phasing into 2017/18 will be requested for MIPIM.
HMRI	1.078	1.078	0.624	Re-phasing into 2017/18 will be requested to cover Mel-Inn compensation and acquisition of Klondyke Ph2-3

Following this month's review the level of forecast expenditure anticipated for the year has reduced to £20.959m. Whilst a request to re-phase a number of schemes will be made at year end funding of £0.165m has been identified as being able to be released and will be available for re-allocation

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	0.364	0.075	20.6%	0.289
Communities	2.392	0.763	31.9%	1.629

Schools and Families	4.402	2.541	57.7%	1.861
Regulation and Compliance	0.168	0.112	66.7%	0.056
Regeneration and Housing	2.398	1.261	52.6%	1.137
Adult Social Care	2.323	1.208	52.0%	1.115
Locality Services - Provision	2.539	1.076	42.4%	1.463
Locality Services - Commissioned	8.391	3.850	45.9%	4.541
Corporate Support	1.034	0.214	20.7%	0.820
Total Capital Programme	24.011	11.100	46.2%	12.911

6.6 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	3.333
Transport – Integrated Transport 2016/17	Improvements to the transport network e.g. travel awareness, cycling and health, local safety schemes, traffic management schemes	2.059
Transport STEP Programme	A565 improvement, Seaforth Village improvements and A59 Ormskirk Road Access Improvements	1.557
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
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

- 6.6 In reviewing the current position on the Capital Programme it should be noted that as part of improved capital monitoring arrangements, a capital outturn report for 2016/17 will be presented to Cabinet (in conjunction with the revenue outturn) at the year end. In addition to providing details 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.

7. Medium Term Financial Plan 2017/18-2019/20

- 7.1 Following consideration of the budget package by Cabinet on 12 January 2017, this will now be reviewed by Overview and Scrutiny Committee on Tuesday 14th February 2017. A verbal update on the issues arising from that meeting will be presented as part of this agenda item. Any proposed updates from this meeting, the ongoing consultation processes or the financial assumptions will then be reflected in the final Council Budget report that will be considered on 2 March 2017.