

Report to: Cabinet
Council

Date of Meeting: 9 March 2017
20 April 2017

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 revenue outturn position for the Council for 2016/17 as at the end of January. 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 three section 106 schemes to be added.

Recommendation(s)

Cabinet is recommended to:-

- i) Review and consider the forecast deficit outturn position of £0.682m as at the end of January 2017, together with the potential 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; and
- iv) Note the current position of the 2016/17 Capital Programme; and
- v) Include additional capital allocations, outlined in paragraph 6.7, to the Capital Programme.

Council is recommended to:-

- i) Include additional capital allocations, outlined in paragraph 6.7, to the 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 2016/17 revenue and capital budgets as at the end of January 2017 and to provide an updated forecast of the outturn position with regard to the collection of Council Tax and Business Rates. To seek approval for additional schemes financed from section 106 monies, to be included within 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 approximately £6.798m are at significant risk of not being achieved (the "Red" marked items in Annex A). 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 Council on 2nd March 2017.

As at the end of January, the surplus in the remainder of the Council's Budget reduces the potential deficit to £0.682m. 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 January, expenditure on the Capital Programme is £15.221m (52.7%) with forecast expenditure of £23.4m due by the end of the year. Expenditure of around £4m per month is currently being incurred therefore it is considered that this revised forecast is achievable.

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

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 4542/17)

The Head of Regulation and Compliance has been consulted and has no comments on the report. (LD 3825/17)

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 January, following the recently approved additions to the programme. Approval of a number of schemes for inclusion in the 2016/17 Capital Programme, to be financed from Section 106 monies is also sought.

2. Summary of Forecast Outturn Position as at the end of January 2017

- 2.1 At the end of January 2017, a forecast deficit is projected on the Council's outturn budget of £0.682m. This is shown in the table below:

| | Budget | Forecast Outturn | Variance | Position previously reported |
|---|----------------|-----------------------------|-----------------|---|
| | £m | £m | £m | £m |
| <u>Services</u> | | | | |
| Strategic Management | 2.974 | 2.949 | (0.025) | (0.025) |
| Strategic Support Unit | 2.891 | 2.771 | (0.120) | (0.126) |
| Adult Social Care | 86.172 | 89.414 | 3.242 | 2.909 |
| Children's Social Care | 27.548 | 28.513 | 0.965 | 0.913 |
| Communities | 10.572 | 9.884 | (0.688) | (0.672) |
| Corporate Resources | 4.069 | 3.625 | (0.444) | (0.403) |
| Health & Wellbeing | 23.307 | 22.632 | (0.675) | (0.575) |
| Inward Investment and Employment | 2.517 | 2.632 | 0.115 | 0.094 |
| Locality Services - Commissioned | 18.596 | 19.062 | 0.466 | 0.394 |
| Locality Services - Provision | 9.381 | 10.249 | 0.868 | 0.868 |
| Regeneration and Housing | 4.636 | 4.520 | (0.116) | (0.121) |
| Regulation and Compliance | 4.444 | 4.193 | (0.251) | (0.409) |
| Schools and Families | 25.773 | 25.353 | (0.420) | (0.549) |
| | | | | |
| <u>Total Service Net Expenditure</u> | 222.880 | 225.797 | | |

| | | | | |
|----------------------------------|----------------|----------------|--------------|--------------|
| Reversal of Capital Charges | (13.376) | (13.376) | 0 | 0 |
| Council Wide Budgets | 4.135 | 1.900 | (2.235) | (2.235) |
| Levies | 33.769 | 33.769 | 0 | 0 |
| General Government Grants | (34.803) | (34.803) | 0 | 0 |
| Total Net Expenditure | 212.605 | 213.287 | | |
| Forecast Year-End Deficit | | | 0.682 | 0.063 |

2.2 This revised forecast deficit of £0.682m compares to the deficit of £0.063m that was previously forecast.

2.3 The key changes that have led to this revised position are:-

- The Adult Social Care deficit position has increased by £0.333m. There has been a reduction in the surplus in the Community Care budget (£0.616m) due to ongoing pressures emerging for both placements, and packages of care. A shortage of capacity in the Domiciliary Care area has led to services sometimes being commissioned outside the 4 main contracted providers at a higher cost. This pressure has been offset by further employee savings (£0.182m) resulting from the vacancy freeze imposed by the Head of Adult Social Care together with a further contribution from the supplies and services budget, mainly in relation to Care Act funding.

- The Locality Services Commissioned service deficit position has increased by £0.072m a result of forecast winter maintenance, which is based on the worst case scenario. This is based on expenditure incurred to date and a further 19 carriageway grittings to the year end, the equivalent period for last winter.

- Children's Social Care is forecasting a year-end deficit of £0.966m (a slight worsening of the position for January by £0.052m). This is due to a slight increase in the deficits in respect of placements and packages for Looked after Children of £0.037m and Adoption Allowances of £0.031m.

- The Schools and Families budget is identifying a reduction in the forecast surplus from £0.549m to £0.419m, an adverse variance of £0.130m. This is mainly due to the specialist transport costs within the Children's Service, where the cost of the in-house fleet is forecast to be higher than previously expected following new contract arrangements that were put in place in September with the financial impact being fully available in January.

- The surplus on the Regulation and Compliance service has reduced by £0.158m. A review of the Coroners service has identified the potential for additional professional fees, relating to morticians, funeral directors, pathologists and forensic scientists that have to be engaged when the service demands their support. Additional spend of £0.029m has also been identified since December following the purchase of air quality equipment.

2.4 Within the report that was considered by Members in February it was highlighted that demand led pressures particularly in respect of Adults and Children's Social Care and winter maintenance could have an impact on the year end position. As additional budget pressure has been identified Heads of Service have been requested to implement stringent expenditure management in all areas of their budgets in order to support the financial outturn position for the year. This will be reflected in the monitoring of the councils budget between now and year end.

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 January 2017 is that £28.831m (80%) of the total required savings have been delivered or are on plan; with £0.287m (1%) at some risk of not being fully achieved. This leaves a further £6.798m (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 January 2017 is a surplus of £2.371m (a marginal improvement 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 -£0.754m;
 - Council Tax Reduction Scheme discounts being lower than estimated at -£0.643m;
 - Exemptions and Discounts (including a forecasting adjustment) being lower than estimated at -£0.357m; 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.
- 4.4 A forecast surplus of £2.367m was declared on the 15 January 2017, of which Sefton's share is £2.022m (85.4%). This is the amount that will be distributed from the Collection Fund in 2017/18. Any additional surplus or deficit will be distributed in 2018/19.

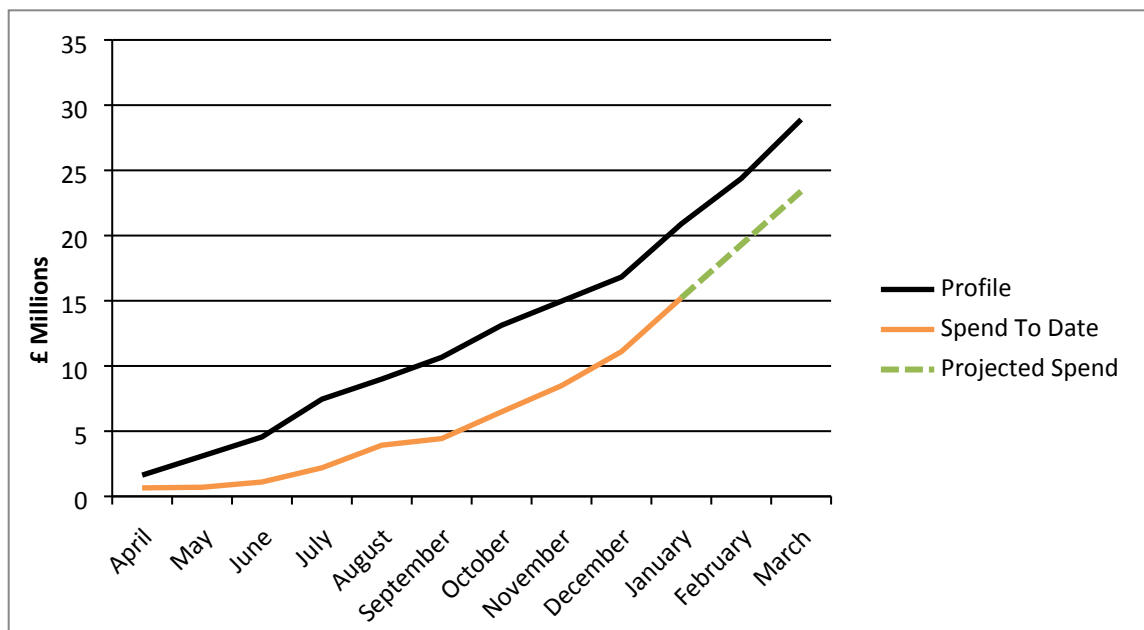
5. Business Rates Income – Update

- 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 January 2017 is a deficit of £2.469m (£2.437m to the end of December) 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;
 - Minor in year budget variations to date in 2016/17 of £0.032m.
- 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.
- 5.4 A forecast deficit of £2.437m was declared on the 15 January 2017, of which Sefton's share is £1.194m (49%). This is the amount that will be distributed

from the Collection Fund in 2017/18. Any additional surplus or deficit will be distributed in 2018/19. However, this deficit can be funded utilising the rating appeals / reduction in NNDR Income Reserve which stood at £3.448m on 31 March 2016.

6. Capital Programme 2016/17

- 6.1 The full year budget for the Capital Programme in 2016/17 is £28.897m. This represents £14.784m 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 January, expenditure of £15.221m has been incurred against this budget. This represents 52.7% of the full year Capital Programme. This level of expenditure represents an increase from the previously reported position (December) of £4.121m.
- 6.3 Project managers are currently reporting that expenditure of £23.394m will be incurred by the end of the financial year. Based upon current expenditure levels, this would mean that £8.2m will be incurred in the last 2 months of the financial year. With monthly expenditure of between £3m-£4m currently being incurred it would suggest that this forecast is reasonable at this stage 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 | Key Variation £'m | Explanation |
|---|------------------------------|--|
| Resources to be carried forward into next year (key items) | | |
| Norwood School Remodelling | 1.664 | Delay in start of scheme as funding only recently approved. Re-phasing into 2017/18 will be requested |
| Litherland Moss School Remodelling | 0.300 | Scheme on hold pending outcome of Children's Centre review. Re-phasing into 2017/18 will be requested |
| School Planned Maintenance | 0.300 | Reschedule of planned maintenance work. Re-phasing into 2017/18 will be requested |
| HMRI | 0.454 | Re-phasing into 2017/18 will be requested to cover Mel – Inn compensation and acquisition of Klondyke PH 2-3 |
| M58 Junction Improvement | 0.304 | Delays in commencing the scheme. Re-phasing into 2017/18 will be requested |
| A565 Northern Key Corridor Improvements | 0.187 | Delays in commencing the scheme. Re-phasing into 2017/18 will be requested |
| Flood Defence Schemes | 0.578 | Delays in schemes. Fully funded schemes . Re-phasing into 2017/18 will be requested |
| Vehicle Replacement | 0.249 | Underspend due to changes in the vehicle replacement programme by Departments |
| Dunes All Weather Pitches | 0.203 | Scheme viability still being reviewed |
| Thornton Crematorium - Upgrade | 0.120 | Progress slow because of high demand for facility. Re-phasing into 2017/18 will be requested |
| Corporate Maintenance Contingency | 0.142 | Re-phasing into 2017/18 will be requested |
| CLAC High Ropes | 0.065 | Planning permission not yet granted |
| | 4.566 | |
| Resources no longer required | | |
| Vine House | 0.245 | Vine House is in the process of valuation and disposal. Funding no longer required. |
| Funding Circle | 0.100 | Funding / Budget no longer required |
| Adult Social Care Transformation – St Peters House | 0.016 | Work completed. Budget no longer required |
| Adult Social Care Transformation – Shakespeare Centre | 0.060 | Work completed. Budget no longer required |
| Maghull & District Community & Business Hub | 0.024 | Project ended, budget not required |
| Unallocated Town & Village Centres | 0.065 | Project ended, budget not required |
| | 0.510 | |

From this review it can be seen as the Council approaches the end of the financial year and the expenditure forecasts become firmer, there is an increasing number of schemes which are requesting that funding be carried over into 2017/18. The evaluation of these will be the subject of a Member review exercise to ensure that such schemes remain a priority for the Council in future years. Likewise it is estimated that £0.510m of capital funding will be available for re-allocation as this funding is no longer required.

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 | 3.237 | 1.168 | 36.1% | 2.069 |
| Schools and Families | 6.042 | 2.737 | 45.3% | 3.305 |
| Regulation and Compliance | 0.186 | 0.141 | 75.8% | 0.045 |
| Regeneration and Housing | 2.380 | 1.260 | 52.9% | 1.120 |
| Adult Social Care | 2.323 | 1.349 | 58.1% | 0.974 |
| Locality Services - Provision | 2.540 | 1.813 | 71.4% | 0.727 |
| Locality Services - Commissioned | 8.391 | 4.378 | 52.2% | 4.013 |
| Corporate Support | 1.034 | 0.263 | 25.4% | 0.771 |
| Disabled Facilities Grant | 2.400 | 2.037 | 84.9% | 0.363 |
| Total Capital Programme | 28.897 | 15.221 | 52.7% | 13.676 |

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 | Amendments £'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 | 1.540 | |
| Vehicle | Planned replacement of vehicles | 1.241 | Expected underspend |

| | | | |
|--|---|-------|---|
| Replacement 2016/17 | incorporating refuse vehicles and other departmental vehicles e.g. libraries, in order to maintain fleet resilience | | of £0.249m due to changes in departmental requests for replacement vehicles |
| 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.

6.7 Further additions to the 2016/17 Capital Programme.

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 been agreed.

| | £ |
|----------------------|--------|
| Blundellsands | 30,000 |
| Harrington | 2,750 |
| Manor | 28,457 |
| Netherton and Orrell | 16,200 |
| Sudell Ward | 70,000 |