

Report to: Cabinet

Date of Meeting: 6 April 2017

Council

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 February. 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 surplus outturn position of £0.829m as at the end of February 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;
- iv) Note the current position of the 2016/17 Capital Programme;
- v) Include additional capital allocations, outlined in paragraph 6.7, to the 2016/17 Capital Programme

Council is recommended to:-

- i) Include additional capital allocations, outlined in paragraph 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 2016/17 revenue and capital budgets as at the end of February 2017 and to provide an updated forecast of the outturn position with regard to the collection of Council Tax and Business Rates. To ensure additional schemes, financed from section 106 monies are included in 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 £6.698m 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 February, the surplus in the remainder of the Council's Budget reduces the potential deficit into a surplus of £0.829m. Should this outturn position be achieved, a reduced level of reserves (£0.140m) would be required to support the budget.

(B) Capital Costs

As at the end of February, expenditure on the Capital Programme is £16.323m (56.5%) with forecast expenditure of £22.4m due by the end of the year.

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: 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 (FD4595/17)

The Head of Regulation and Compliance has been consulted and has no comments on the report. (LD 3878/17)

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 February, following the recently approved additions to the programme.

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

- 2.1 At the end of February 2017, a forecast surplus is projected on the Council's outturn budget of £0.829m. This is shown in the table below:

	Budget	Forecast Outturn	Variance	Position previously reported
	£m	£m	£m	£m
Services				
Strategic Management	2.974	2.944	(0.030)	(0.025)
Strategic Support Unit	2.891	2.743	(0.148)	(0.120)
Adult Social Care	86.172	88.820	2.648	3.242
Children's Social Care	27.548	28.592	1.044	0.965
Communities	10.572	9.866	(0.706)	(0.688)
Corporate Resources	4.069	3.277	(0.792)	(0.444)
Health & Wellbeing	23.311	22.646	(0.665)	(0.675)
Inward Investment and Employment	2.517	2.536	0.019	0.115
Locality Services - Commissioned	18.596	18.784	0.188	0.466
Locality Services - Provision	9.381	10.349	0.968	0.868
Regeneration and Housing	4.636	4.458	(0.178)	(0.116)
Regulation and Compliance	4.444	3.925	(0.519)	(0.251)
Schools and Families	25.773	25.343	(0.430)	(0.420)
Total Service Net Expenditure	222.884	224.283		
Reversal of Capital Charges	(13.376)	(13.376)	0	0

Council Wide Budgets	4.131	1.903	(2.228)	(2.235)
Levies	33.769	33.769	0	0
General Government Grants	(34.803)	(34.803)	0	0
Total Net Expenditure	212.605	211.776		
Forecast Year-End Deficit			(0.829)	0.682

2.2 This revised forecast surplus of £0.829m compares to the deficit of £0.682m that was previously forecast.

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

- The Adult Social Care deficit position has reduced by £0.594m. There has been a increase in the surplus in the Community Care budget (£426k) assisted by invoices issued to the CCG's in relation to continuing health care cases. Other forecast surpluses have emerged in the month in relation to repairs and maintenance, adaptations and equipment, along with an increase in the STU surplus.
- The Locality Services Commissioned service deficit position has reduced by £0.278m a result of a reduction in forecast winter maintenance, due to milder weather this month. There has also been a reduction in street lighting energy payments. Other variations include a surplus on Landscape Premises and Transport costs along with a surplus on salary budgets.
- Children's Social Care is forecasting a year-end deficit of £1.044m (a slight worsening of the position for February by £0.079m). This is due to a slight increase in the deficits in respect of placements and packages for Looked after Children of £0.085m.
- The Corporate Resources budget is identifying an increase in the forecast surplus from £0.444m to £0.792m. This is mainly due to additional savings being found against running costs budgets, particularly in relation to the Managed Print Service within Corporate Finance & ICT, and an increase in the forecast of capital fee recharge income to be received within Asset Management by the end of financial year.
- The surplus on the Regulation and Compliance service has increased by £0.268m. There is an improved income position relating to car parks as a result of new car park charges in new locations during 2016/17 along with lower than anticipated spend on coroner's fees for mortuary costs.
- The Locality Services (Provision) budget Deficit has increased by £0.100m between January and February. This is as a result of increased and unanticipated transport and staff costs resulting from round reconfiguration after insourcing the recycling service. Budgets for 2017/18 have been reformatted to address the current overspend and further reductions in equipment, transport and staffing expenditure will reverse the position next year

2.4 Within the report that was considered by Members in March 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. In addition, Heads of Service were requested to implement stringent expenditure management in all areas of their budgets in order to support the financial outturn position for the year. This has enabled officers to report a much improved anticipated year end position.

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 February 2017 is that £28.931m (81%) 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 £6.698m (18%) 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 February 2017 is a surplus of £2.364m (a marginal change 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 -£0.729m;
- Council Tax Reduction Scheme discounts being lower than estimated at -£0.669m;
- Exemptions and Discounts (including a forecasting adjustment) being lower than estimated at -£0.349m; 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 February 2017 is a deficit of £2.505m (£2.469m to the end of January) 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 £0.068m.

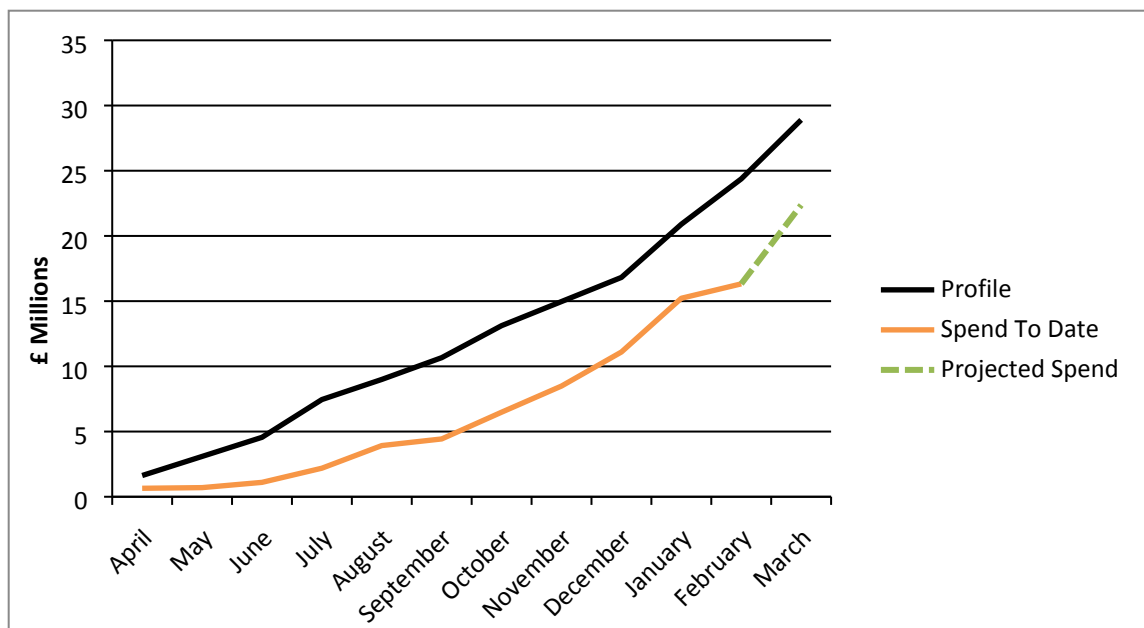
5.3 Due to Collection Fund regulations, the Business Rates deficit will not be transferred to the General Fund in 2016/17 but will be carried forward to be recovered in future years.

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 February, expenditure of £16.323m has been incurred against this budget. This represents 56.5% of the full year Capital Programme. This level of expenditure represents an increase from the previously reported position (January) of £1.102m.
- 6.3 Project managers are currently reporting that expenditure of £22.369m will be incurred by the end of the financial year. Based upon current expenditure levels, this would mean that £6.0m will be incurred in the final month 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
Litherland Moss School Remodelling	0.300	Scheme on hold pending outcome of Children's Centre review
School Planned Maintenance	0.400	Reschedule of planned maintenance work
HMRI	0.578	Re-phasing into 2017/18 will be requested to cover Mel – Inn compensation and acquisition of Klondyke PH 2-3
Transportation Integrated Transport	0.667	Rephasing of planned works into 2017/18
M58 Junction Improvement	0.304	Delays in commencing the scheme. Slippage required into 2017/18
Flood Defence Schemes	0.638	Delays in schemes. Fully funded schemes slippage required
Vehicle Replacement	0.249	Underspend due to changes in the vehicle replacement programme by Departments
Adult Social Care Day Centre Reorganisation	0.259	Changes in works programme. Slippage into 2017/18 required.
Library Improvements	0.256	Heating works that need to be delayed until summer 2017/18 when heating off.
Dunes All Weather Pitches	0.203	Scheme viability still being reviewed
Corporate Maintenance	0.376	Will request slippage to 2017/18
	5.957	
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 that a number of schemes will be requesting for resources to be carried forward into next year. This will be the subject of a Member review exercise at the year end. Likewise it is estimated that £0.510m of capital funding will be available for re-allocation as they are 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	0.037	10.2%	0.327
Communities	3.237	1.389	42.9%	1.848
Schools and Families	6.042	2.864	47.4%	3.178
Regulation and Compliance	0.186	0.137	73.7%	0.049
Regeneration and Housing	2.380	1.266	53.2%	1.114
Adult Social Care	2.323	1.667	58.1%	0.656
Locality Services - Provision	2.540	1.946	71.8%	0.594
Locality Services - Commissioned	8.391	4.514	53.8%	3.877
Corporate Support	1.034	0.308	29.8%	0.726
Disabled Facilities Grant	2.400	2.195	91.5%	0.205
Total Capital Programme	28.897	16.323	56.5%	12.574

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	Expected slippage of £0.080m due to delay in completion of Coastal Rd drainage scheme.
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	Expected slippage of £0.667m due to programme delays.
Transport STEP Programme	A565 improvement, Seaforth Village improvements and A59 Ormskirk Road Access Improvements	1.540	
Vehicle	Planned replacement of	1.241	Expected

Replacement 2016/17	vehicles incorporating refuse vehicles and other departmental vehicles e.g. libraries, in order to maintain fleet resilience		underspend 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	Slippage of £0.048 required to 2017/18 to complete scheme
Formby Library	Capital investment to ensure that the remaining libraries are fit for purpose now and in the future	0.370	Slippage of £0.183 required to 2017/18 for boiler works.
Transport - Bridges and Structures 2016/17	Improvements / maintenance of the highways bridges and structures	0.314	Slippage of £0.40k required to 2017/18 for delays testing Network Rail Structures.
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	Slippage of £0.073 required to 2017/18 for heating works.

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 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.

	£
Derby	30,000
Harrington	1,870
Litherland	73,859