Report to:	Cabinet Council	**Date of Meeting:**	27 July 2017 21 September 2017
Subject:	Revenue and Capital Budget Update 2017/18		
Report of:	Head of Corporate Resources	**Wards Affected:**	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	**Included in Forward Plan:**	Yes
Exempt / Confidential Report:	N0		

Summary:

To inform Cabinet/ Council of: -

i) The current forecast revenue outturn position for the Council for 2017/18 as at the end of June. 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 2017/18; and,

iii) The current position of the Capital Programme and to request additions to the Capital Programme.

Recommendation(s):

Cabinet is recommended to:-

i) Review and consider the forecast deficit outturn position of £1.295m as at the end of June 2017;

ii) Review the progress to date on the achievement of approved Public Sector Reform savings for 2017/18;

iii) Note the forecast position on the collection of Council Tax and Business Rates for 2017/18;

iv) Note the current progress in the delivery of the 2017/18 Capital Programme; and,

v) Approve the additional capital allocations, outlined in section 6, to the 2017/18 Capital Programme.

Council is recommended to:-

i) Approve the additional capital allocations, outlined in section 6, to the 2017/18 Capital Programme.

Reasons for the Recommendation(s):

To ensure Cabinet are informed of the forecast outturn position for the 2017/18 revenue and capital budgets as at the end of June 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 are included in the Capital Programme.

Alternative Options Considered and Rejected: (including any Risk Implications)
None

What will it cost and how will it be financed?

(A) Revenue Costs
Any under-achievement of the approved revenue budget savings for 2017/18 will need to be financed from within any surplus identified within other areas of the 2017/18 budget, or from the Council's general balances.

The current financial position on approved Public Sector Reform savings indicates that approximately £1.852m of 2017/18 savings are at risk of not being achieved in the year. Due to anticipated net underspends elsewhere within the budget a deficit position for the year of £1.295m is currently forecast.

(B) Capital Costs
The Councils capital budget in 2017/18 is £25.206m. As at the end of June 2017, expenditure of £3.085m has been incurred and a full year outturn of £24.728m is currently forecast.

The report considers additional capital schemes and asks that they be added to the 2017/18 Capital Programme.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): None
Legal Implications: None
Equality Implications: None

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Not applicable
Facilitate confident and resilient communities: Not applicable
Commission, broker and provide core services: Not applicable
Place – leadership and influencer: Not applicable

Drivers of change and reform: Not applicable
Facilitate sustainable economic prosperity: Not applicable
Greater income for social investment: Not applicable
Cleaner Greener: Not applicable

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources (FD 4753/17) and Head of Regulation and Compliance (LD 4037/17) have been consulted and any comments have been incorporated into the report.

(B) External Consultations
None

Implementation Date for the Decision

Following the expiry of the "call-in" period for the Minutes of the Cabinet Meeting

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Appendices:

The following appendix is attached to this report:

Appendix A – PSR Savings 2017/18 – Current Forecast Achievement

Background Papers:

There are no background papers available for inspection.

1. **Introduction**

1.1 At Budget Council in March 2017, Members approved a 3 year budget package that would seek to address the funding shortfall of £64m that had been reported throughout 2016. Following a review of all financial assumptions and the proposals contained within the Framework for Change programme, savings of £24.922m were identified that would need to be delivered in 2017/18. This position included a number of measures that were approved to phase the delivery of the public sector reform savings over the course of the 3 year period.

1.2 This report therefore presents an assessment of the forecast revenue outturn position for 2017/18 and the latest position on the achievement of the agreed Public Sector Reform savings for 2017/18 (£4.573m).

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 2017/18 Capital Programme is also provided as at the end of June, along with a number of schemes requiring approval to be added to the programme.

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

2.1 At the end of June 2017, a forecast financial position on approved Public Sector Reform savings indicates that approximately £1.852m of 2017/18 savings are at risk of not being achieved in the year. Due to anticipated net underspends elsewhere within the budget a deficit position for the year of £1.295m is currently forecast. This is shown in the table below:

	Budget	**Forecast Outturn**	**Variance**
	£m	**£m**	**£m**
Services			
Strategic Management	2.923	2.923	0.000
Strategic Support Unit	2.932	2.841	(0.091)
Adult Social Care	88.421	88.380	(0.041)
Children's Social Care	27.577	27.853	0.276
Communities	10.437	10.374	(0.063)
Corporate Resources	4.795	4.544	(0.251)
Health & Wellbeing	22.853	22,817	(0.036)
Inward Investment and Employment	2.533	2.635	0.102
Locality Services - Commissioned	18.591	18.409	(0.182)

Locality Services - Provision	9.640	9.935	0.295
Regeneration and Housing	4.501	4.354	(0.147)
Regulation and Compliance	3.598	3.287	(0.311)
Schools and Families	25.450	25.560	0.110
Total Service Net Expenditure	**224.251**	**223.912**	**(0.339)**
Public Sector Reform Savings not allocated to services	(2.632)	(1.028)	1.604
Reversal of Capital Charges	(13.376)	(13.376)	0
Council Wide Budgets	(1.786)	(1.756)	0.030
Levies	31.555	31.555	0
General Government Grants	(33.729)	(33.729)	0
Total Net Expenditure	**204.283**	**205.578**	
Forecast Year-End Deficit			**1.295**

2.2 The key variations are as follows:-

- Within the Public Sector Reform programme savings that have been approved in respect of the following are at risk of not being achieved in the current year. Further details of all PSR savings are provided at Appendix A.
  - Asset Maximisation (£0.503m) – this saving will need to be rephased into future years;
  - Locality Teams & Personalisation (£0.281m) - a variety of consultations are leading to a slight delay in this project with the shortfall requiring to be rephased into 2018/19;
  - Commercialisation, Traded Services & Income (£0.251m) – timing delays to the restructure of building cleaning staffing and the refurbishment of the Crosby Lakeside Adventure Centre are leading to a delay in the implementation of this saving; and
  - Commissioning and Shared Services (£0.817m) - delays to the proposed Liverpool City Region, Sefton Contract Savings and Contract Compliance Audit mean that a full review of the savings proposed via this project is currently underway.

- Children's Social Care is forecasting a year-end deficit of £0.276m. This is largely due to a forecast deficit on placements and packages of £0.720m as a result of high numbers of Looked After Children and the ongoing costs associated with care leavers. This is being reviewed regularly at fortnightly placement monitoring meetings to ensure that young people are in the most appropriate placements in terms of both cost and need. Adoption Allowances are also forecast to be in deficit by £0.052m and Legal Fees in deficit by £0.071m. These budget pressures are being partially offset by temporary staffing vacancies across the Social Work teams and also within Social Care Administration which are being held in anticipation of the restructure of the service (£0.566m). This one off saving will help the 2017/18 outturn but budget pressures will continue against placements and packages.

- As at the end of June, the Adult Social Care budget is forecast to deliver a broadly balanced position. This however, takes account of £6.9m that has been provided by way of central government grant in 2017/18 to support the Council in delivering this service. As detailed within the Medium Term Financial Plan elsewhere on this agenda, this budget as in previous years is under extreme pressure due to the continual rising demand and cost of services. As a result of this, £4.9m of the one-off allocation is to be directed to support provider fees and the cost of packages. As this funding is one-off in nature a sustainable long term solution will be required either nationally or locally and this is discussed elsewhere on this agenda. In the meantime a balanced position is forecast however this does not take account of any increased demand that maybe experienced for services during the year therefore this will require extremely careful monitoring due to the inherent volatility that exists.

- The Corporate Resources budget is identifying a forecast surplus of £0.251m. The forecast surplus for this service is largely due to savings being made against staffing budgets due to the holding of vacant posts. Additionally, there are some savings being made against premises and other running costs budgets, and an overachievement of some income targets is also expected in 2017/18.

- The surplus on the Regulation and Compliance service is expected to be £0.311m in 2017/18. This forecast underspend is mostly due to Car Parking income (£0.400m) and is subject to weather conditions, success of events and experiments on charging for environmental enforcement. This is offset by the slippage of a savings target on Regulation & Compliance Regulatory Services (£0.064m) due to the timing of a restructure. The forecast surplus has decreased from the surplus achieved in 2016/17 as a number of savings have been applied to the budget.

- Localities Services - Provision is currently forecasting to overspend by £0.296m. This is mainly due to the following:
    i. Burials (£0.200m) - competition from the private sector facility at Burscough will continue to affect the ability to generate budgeted levels of income. Continued refurbishment and upgrade work at Thornton Garden of Rest will also impact upon income generation. A planned reduction in grounds maintenance costs across the service, coupled with stringent expenditure control will mitigate some of the projected losses. New income streams are also being developed for introduction during 2017/18, but it is felt that there will still likely be a budgetary pressure of £0.200m in 2017/18.

ii. Building Cleaning (£0.150m) which is mainly as a result of the saving proposal of £0.250m in 2017/18 not being fully achievable. The required staffing reductions will take a number of months to implement in the light of union consultation and notice periods etc. The possibility of pay protection in certain cases may further delay savings achievement.
iii. Security Service (£0.130m) -a full staffing review has been undertaken and whilst resource has been directed to installation and income generating services, there is still an overall in year saving of over £0.200m which will reduce expenditure to within the available budget. Due to the time required to implement the reductions following approval in March 2017, there will be a pressure upon the staffing budget in 2017/18 but the service is expected to break even in 2018/19.
iv. To help mitigate the above overspends, Catering is expected to produce a surplus of £0.200m which is based on the 2016/17 outturn and it is forecast that the required budget saving of £0.100m in 2017/18 will be overachieved by an additional £0.100m giving a total saving of £0.200m.

2.3 In previous years, when overall deficit positions have been forecast, services have reviewed all areas of expenditure in order to contribute to a year end balanced position. In light of the current year end forecast, it is proposed that this process is continued in order that improvements can be made to the forecast outturn position. This will be reported throughout the year to Members.

3. <u>Council Tax Income – Update</u>

3.1 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 £118.748m for 2017/18 (including Parish Precepts), which represents 85.8% of the net Council Tax income of £138.431m.

3.2 The forecast outturn at the end of June 2017 is a surplus of £0.186m. This is primarily due to:-

- The surplus on the fund at the end of 2016/17 being lower than estimated at +£0.173m;

- Gross Council Tax Charges in 2017/18 being higher than estimated at -£0.538m;

- Council Tax Reduction Scheme discounts being lower than estimated at -£0.716m;

- Exemptions and Discounts (including a forecasting adjustment) being higher than estimated at +£0.895m.

3.3 Due to Collection Fund regulations, the Council Tax surplus will not be transferred to the General Fund in 2017/18 but will be carried forward to be distributed in future years.

4. Business Rates Income – Update

4.1 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 £31.159m for 2017/18, which represents 49% of the net Business Rates income of £63.591m. Business Rates income has historically been very volatile making it difficult to forecast accurately.

4.2 The forecast outturn at the end of June 2017 is a deficit of £0.731m on Business Rates income. This is due to:

- The deficit on the fund at the end of 2016/17 being higher than estimated £1.215m;
- Minor in year budget variations to date in 2017/18 of -£0.484m.

4.3 Due to Collection Fund regulations, the Business Rates deficit will not be transferred to the General Fund in 2017/18 but will be carried forward to be recovered in future years.

5. Capital Programme 2017/18

5.1 The approved capital budget for 2017/18 is £25.206. As at the end of June, expenditure of £3.085 (12%) has been incurred. These figures do not include the cost of the Councils recent strategic investment.

5.2 As part of the monthly review project managers are now stating that £24.728m will be spent by year end. This would result in an under spend on the year of £0.478m on the whole programme with an overall delivery rate of 98%. This is summarised below as follows:-

2017/18 Full Year Budget	Actual Expenditure as at June 2017	Forecast Actual Expenditure	Full Year Budget Variance
£m	**£m**	**£m**	**£m**
25.206	**3.085**	**24.728**	**0.478**

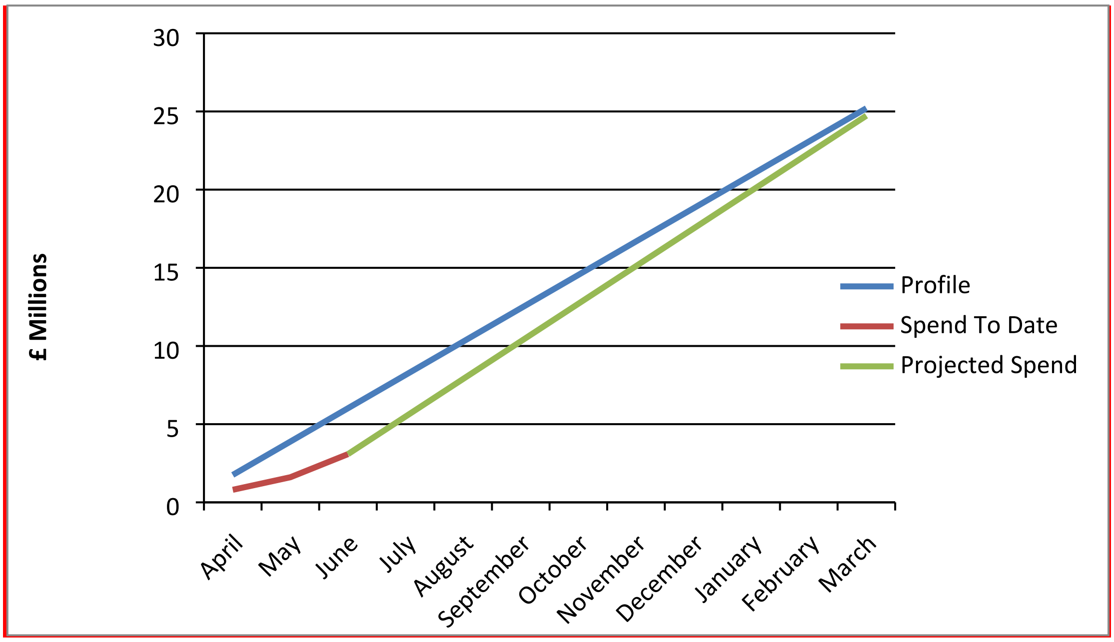
5.3 In order to achieve the revised forecast of £24.728m, expenditure of £21.643m will need to be incurred between now and the end of the year.

5.4 Key Variations on Overall Programme

It can be seen from the current forecast position that approximately £0.478m of expenditure will not be delivered in the current year. The key variations to this forecast are as follows:-

Scheme	Key Variation £'m	Explanation
Potential Overspends Identified (key items)		
Kings Gardens Southport	-0.083	This scheme is forecasting an overspend at present therefore an options analysis to reduce this is currently being undertaken
Resources to be carried forward into next year (key items)		
Adult Social Care IT Infrastructure	0.100	A request to re-phase this budget will be requested due to delays in the scheme.
Crosby Library	0.184	Funding requested to be carried forward to be used as match funding for major redevelopment of Crosby Library
Total	**0.284**	
Resources no longer required (key items)		
Maghull Leisure Centre	0.181	This balance had been held to fund additional car parking however no further expenditure is envisaged therefore this sum can be released
Children's Capital Maintenance – Various Schemes	0.039	Schemes are complete therefore this funding will be re-allocated within the service
Ainsdale Hope Centre	0.028	Saving on scheme
Lydiate Primary – ducts and pipework	0.005	Saving on scheme therefore this funding will be re-allocated within the service
Total	**0.253**	

5.5 The graph below therefore shows the 2017/18 Capital Programme expenditure to date against the profiled budget.



5.6 A service by service breakdown is shown in the following table:

	Full Year Budget	Expenditure to June 17	Expenditure to June 17 as a % of Budget	Budget Remaining
	£m	£m	%	£m
Corporate Resources	0.277	0.010	3.6	0.267
Locality Services – Commissioned	7.469	0.407	5.4	7.062
Locality Services - Provision	2.471	0.008	0.3	2.463
Regeneration and Housing	1.165	0.837	71.8	0.328
Regulation and Compliance	0.012	0.001	8.3	0.011
Health & Wellbeing	1.029	0.040	3.9	0.989
Adult Social Care	1.474	0.439	29.8	1.035
Schools and Families	5.171	0.469	9.1	4.702
Communities	1.703	0.341	20.0	1.362
Inward Investment & Employment	1.947	0.001	0.1	1.946
Disabled Facilities Grant	2.488	0.532	21.4	1.956
Total Capital Programme	**25.206**	**3.085**	**12.2**	**22.121**

5.7 Financing of the 2017/18 Capital Programme

	Budget
	£m
Government Grants*	19.187
Borrowing	2.838
S106	1.465
Contribution	1.710
Capital Receipt	0.006
TOTAL	**25.206**

*Includes capital receipts used to supplement government grants as detailed below.

Within the funding profile for schemes approved in 2016/17 it was assumed that £1.5m of capital receipts will be generated. As at the end of March 2017, £0.791m has been received leaving a balance due of £0.709m which it was anticipated will be received in 2017/18. As at the end of June 2017 £0.189m has been received that relates to the Kew overage adjustment, leaving a balance required of £0.520.

6. Further additions to the Capital Programme.

6.1 At Budget Council in March 2017, Members approved the capital programme for 2017/18. Since that point a number of additions to this programme have been identified and are detailed below for inclusion.

Scheme	Value (£'m)	Funding Source	Description	Approval Sought by
Dunes Leisure Centre – Sports Pitches	0.092	Capital receipt and Invest to save related borrowing	Due to inflationary pressure this scheme cost has increased and a further budget increase is required	Council
Crosby to Formby Point Coastal Defence Strategy Review	0.098	Environment Agency grant	New Scheme- fully funded by external grant	Cabinet

Netherton Activity Centre Fitness Suite Refurbishment	0.150	Capital receipt and Invest to save related borrowing	New Scheme to refurbish a key element of the centre in order to maintain customer base	Council
Various S106 schemes	0.130	S106 receipts	Various schemes within the Derby (£0.120m) and Linacre (£0.010m) wards	Council

6.2 In addition to the schemes above the Council has been successful in obtaining £3.362m of STEP (Sustainable Transport Enhancement Package) funding that will be made available to the Council over the next 4 years. Three schemes have been approved and these are, A565 Corridor Improvements, Southport East / West Cycle improvements and Kirkby to Maghull Cycle Route. Cabinet approval will be sought for these schemes to progress based upon the allocation proposed as detailed below:-

STEP Funding Sources	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**Total £'000**
Combined Authority specific grant	410.00	687.50	977.10	902.00	2976.6
Sefton ITB Grant contribution	45.00	127.00	124.00	90.00	386.00
Total	**455.00**	**814.50**	**1101.10**	**992.00**	**3,362.60**

6.3 Road Schemes – M58/A565

Members will recall that as part of the indicative 3 year capital programme that was approved in March 2017, the proposed funding of the M58 and A565 schemes was detailed. Following the closure of the 2016/17 accounts and a review of the funding options that are available it is proposed that the funding profile of these 2 schemes is updated. This will allow a reduction in the contribution required from the Councils LTP/Integrated Transport Block allocations over the 3 years, thereby releasing these allocations for alternative use. The proposed new funding profile for these schemes is shown below and will be the subject of Council approval.

	2017/18	**2018/19**	**2019/20**	**Total**
Source	£'m	£'m	£'m	£'m
2016/17 carry forward	0.314	0.000	0.000	0.314
Residual fee income- highways design and development	0.175	0.550	0.000	0.725
Contribution from Integrated Transport Block	0.350	0.383	0.182	0.915
Balance to be met from unallocated capital resources	0.000	0.500	0.000	0.500
Total	**0.839**	**1.433**	**0.182**	**2.454**