Report to:	Cabinet	**Date of Meeting:**	Thursday 7 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:	No		

Summary:
To inform Cabinet / Council of: -

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

iii) The current position of the Capital Programme and to request a section 106 scheme is added; and

iv) The fact that under the Better Care Fund planning process, the Council has the ability to invest some of the Disabled Facilities Grant funding on wider social care capital projects.

Recommendation(s):

Cabinet is recommended to:-

i) Note the forecast deficit outturn position of £0.686m as at the end of July 2017;

ii) Note 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;

v) Approve the additional capital allocation, outlined in section 5.9, to the 2017/18 Capital Programme; and,

vi) To approve the use of up to £1.4m of the existing DFG adaptations programme for wider use within Better Care Fund plans.

Council is recommended to:-

i) Approve the additional capital allocation, outlined in section 5.9, to the 2017/18 Capital Programme, and,

ii) To approve the use of up to £1.4m of the existing DFG adaptations programme for wider incorporation into Better Care Fund plans.

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 July 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.

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 £1.962m 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 £0.686m is currently forecast.

(B) Capital Costs
The Councils capital budget in 2017/18 is £26.087m. As at the end of July 2017, expenditure of £3.935m has been incurred and a full year outturn of £25.215m is currently forecast.

The report considers additional capital schemes to be financed from Section 106 monies and asks that they be added to the Capital Programme. It also considers that the Council has the ability to invest some of the Disabled Facilities Grant funding on wider social care capital projects and asks that the use of up to £1.4m of the existing DFG adaptations programme for wider use within Better Care Fund plans be approved.

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 4798/17) and Head of Regulation and Compliance (LD 4082/17) 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

Contact Officer:	Paul Reilly
Telephone Number:	Tel: 0151 934 4106
Email Address:	paul.reilly@sefton.gov.uk

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 July. Approval of a number of schemes for inclusion in the 2017/18 Capital Programme, to be financed from Section 106 monies is also sought.

1.5 The report also considers that the Council has the ability to invest some of the Disabled Facilities Grant funding on wider social care capital projects and asks that the use of up to £1.4m of the existing DFG adaptations programme for wider use within Better Care Fund plans be approved.

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

2.1 At the end of July 2017, a forecast financial position on approved Public Sector Reform savings indicates that approximately £1.962m of 2017/18 savings are at risk of not being achieved in the year.

- 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 (£0.389m) - 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 (£0.332m) – 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.
- Partially offsetting the above, two projects are currently forecast to achieve additional savings earlier than expected (£0.079m).

2.2 Due to anticipated net underspends elsewhere within the budget a deficit position for the year of £0.686m is currently forecast. This is shown in the table below:

	Budget	**Forecast Outturn**	**Variance**	**Position previously reported**
	£m	**£m**	**£m**	**£m**
Services				
Strategic Management	2.923	2.923	0.000	0.000
Strategic Support Unit	2.842	2.904	0.062	(0.091)
Adult Social Care	87.996	86.694	(1.302)	(0.041)
Children's Social Care	27.577	27.928	0.351	0.276
Communities	10.347	10.376	0.029	(0.063)
Corporate Resources	5.015	4.764	(0.251)	(0.251)
Health & Wellbeing	23.321	23.295	(0.026)	(0.036)
Inward Investment and Employment	2.643	2.645	0.002	0.102
Locality Services - Commissioned	18.353	18.351	(0.002)	(0.182)
Locality Services - Provision	9.640	10.055	0.415	0.295
Regeneration and Housing	4.501	4.354	(0.147)	(0.147)
Regulation and Compliance	3.598	3.287	(0.311)	(0.311)
Schools and Families	25.227	25.388	0.161	0.110
Total Service Net Expenditure	**223.983**	**222.964**	**(1.019)**	**(0.339)**
Public Sector Reform Savings not allocated to services	(1.971)	(0.315)	1.656	1.604
Reversal of Capital Charges	(13.376)	(13.376)	0.000	0.000
Council Wide Budgets	(2.076)	(2.027)	0.049	0.030
Levies	31.555	31.555	0.000	0.000
General Government Grants	(34.932)	(34.932)	0.000	0.000

Total Net Expenditure	**203.183**	**203.869**		
Forecast Year-End Deficit			**0.686**	**1.295**

2.3 This revised forecast deficit of £0.686m compares to the deficit of £1.295m that was previously forecast.

2.4 The key changes that have led to this revised position are as follows:-

- The net shortfall on PSR projects described in paragraph 2.1 has increased from £1.852m to £1.962m. The main reason for this is due to the Building Cleaning saving not being achievable (see below).

- Strategic Support Unit – £0.090m of the saving reported in June has now been allocated against the Commissioning and Shared Services PSR programme. In addition, additional temporary resources (£0.064m) are required to ensure the Council's paper records are archived prior to the rationalisation of accommodation.

- Adult Social Care – The forecast underspend has reduced by £1.261m mainly due to a reduction in forecast Community Care costs relating to certain clients. It should be noted that the forecast underspend assumes that any net increase in demand for services for the remainder of the year will be met from within the Adult Social Care budget.

- Locality Services - Commissioned – £0.238m of the saving reported in June has now been allocated against the Environment PSR programme.

- Locality Services - Provision – Building Cleaning is now forecast to not achieve the saving proposal of £0.250m in 2017/18 (£0.100m was considered achievable in June). The required staffing reductions will take a number of months to implement in the light of union consultation and notice periods etc. with pay protection in certain cases further delaying savings achievement. Note that this change is also reflected in the PSR variation above.

2.5 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. Council Tax Income – Update

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 July 2017 is a surplus of £0.294m (£0.186m reported in June). 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 -£0.575m;
- Council Tax Reduction Scheme discounts being lower than estimated at -£0.746m;
- Exemptions and Discounts (including a forecasting adjustment) being higher than estimated at +£0.854m.

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, the Council has retained a share of Business Rates income. The Council's share has increased from 49% in 2016/17 to 99% in 2017/18 as a result of its participation in the Liverpool City Region Business Rates 100% Retention Pilot Agreement. The Government's share of business rates has reduced from 50% in 2016/17 to 0% in 2017/18, however, they continue to be responsible for 50% of the deficit outstanding at the 31 March 2017. The Fire and Rescue Authority retain the other 1%.

4.2 The Council's Budget included retained Business Rates income of £62.955m for 2017/18, which represents 99% of the net Business Rates income of £63.591m. Business Rates are subject to appeals which can take many years to resolve. Settlement of appeals can have a significant impact on business rates income making it difficult to forecast accurately.

4.3 The forecast outturn at the end of July 2017 is a deficit of £0.523m on Business Rates income (£0.731m reported in June). 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 -£0.692m.

4.4 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 £26.087m. This has increased by £0.881m from the previous month. £0.494m is due to the additional slippage from 2016/17 that was agreed by SCIG in June 2017 and £0.387m is due to some 2016/17 budgets that were phased in 2017/18 that had not been included in the programme due to a technical issue.

5.2 As at the end of July, expenditure of £3.935m (15%) has been incurred. It should be noted that these figures do not include the cost of the Councils recent strategic investment in the Bootle Strand Shopping Centre.

5.3 As part of the monthly review project managers are now stating that £25.215m will be spent by year end. This would result in an under spend on the year of £0.872m on the whole programme with an overall delivery rate of 97%. This is summarised below as follows:-

2017/18 Full Year Budget	Actual Expenditure as at July 2017	Forecast Actual Expenditure	Full Year Budget Variance
£m	**£m**	**£m**	**£m**
26.087	**3.935**	**25.215**	**0.872**

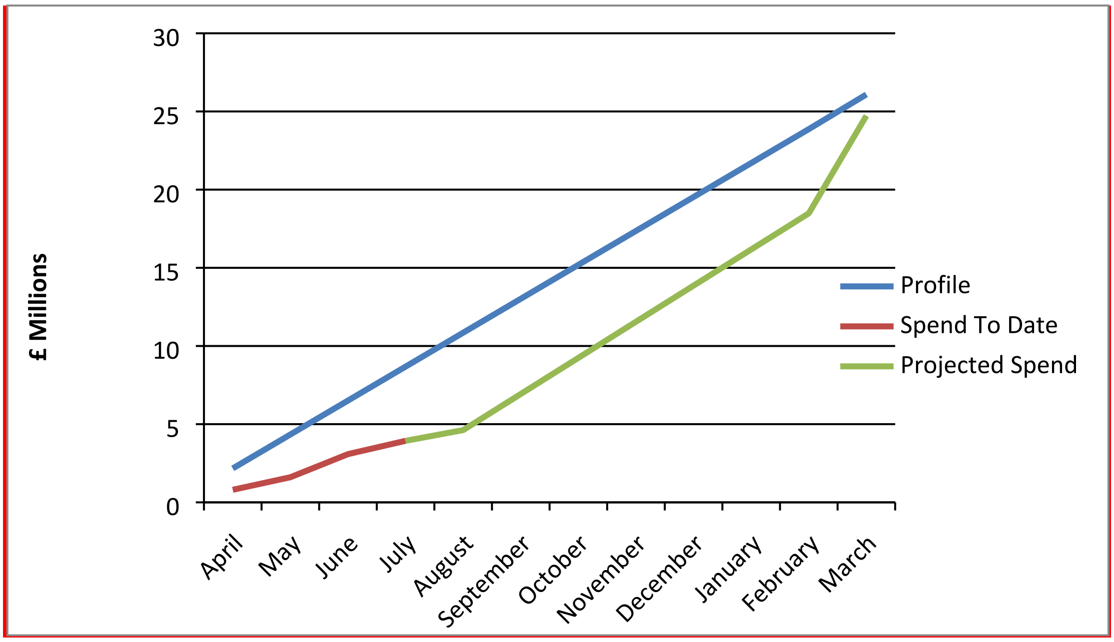
5.4 In order to achieve the revised forecast of £25.215m, expenditure of £21.280m will need to be incurred between now and the end of the year.

5.5 Key Variations on Overall Programme

It can be seen from the current forecast position that approximately £0.872m 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	-0.050	This scheme is forecasting an overspend at present therefore an options analysis to reduce this is currently being explored.
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 made due to delays in the scheme.
Crosby Library	0.345	Funding requested to be carried forward to be used as match funding for major redevelopment of Crosby Library
Corporate Maintenance 2015/16	0.087	A few schemes that were delayed have now commenced but will not complete this year. Due to revised timelines a request to re-phase this budget will be made.
Neighbourhoods – Litherland Ward S106 Improvements	0.070	A request will be made to re-phase this budget to fund the Hit Squad and skips in 2018/19.
Total	**0.602**	
Resources no longer required (key items)		
Maghull Leisure Centre	0.181	This balance had been held to fund additional car parking by prudential borrowing but no further expenditure is envisaged.
Corporate Maintenance 2015/16	0.031	Savings have been identified on a number of schemes and this funding will be re allocated within the service.
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	**0.284**	

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



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

	Full Year Budget	Expenditure to July 17	Expenditure to July 17 as a % of Budget	Budget Remaining
	£m	£m	%	£m
Corporate Resources	0.498	0.023	4.6	0.475
Locality Services – Commissioned	7.469	0.714	9.6	6.755
Locality Services - Provision	2.471	0.008	0.3	2.463
Regeneration and Housing	1.162	0.855	73.6	0.307
Regulation and Compliance	0.015	0.002	13.3	0.013
Health & Wellbeing	1.029	0.084	8.2	0.945
Adult Social Care	1.540	0.558	36.2	0.982
Schools and Families	5.292	0.684	12.9	4.608
Communities	2.176	0.399	18.3	1.777
Inward Investment & Employment	1.947	0.006	0.3	1.941
Disabled Facilities Grant	2.488	0.602	24.2	1.886
Total Capital Programme	**26.087**	**3.935**	**15.1**	**22.152**

5.8 Financing of the 2017/18 Capital Programme

	Budget
	£m
Government Grants*	19.803
Borrowing	2.838
S106	1.730
Contribution	1.710
Capital Receipt	0.006
TOTAL	**26.087**

*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 July 2017 £0.189m has been received that relates to the Kew overage adjustment, leaving a balance required of £0.520m.

5.9 Further additions to the 2017/18 Capital Programme.

Section 106 monies are contributing to identified projects in the following Ward; 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.

	£
Linacre	23,718

5.10 Disabled Facilities Grant Allocation

The Council has been notified of the Disabled Facilities Grant (DFG) for 2017/2018, with an allocation of £3.644m. The grant is required to be spent in accordance with a Better Care Fund (BCF) spending plan jointly agreed between the local authority and the relevant CCG's. There is also a residual amount of DFG of £0.619m carried forward in the BCF from 2016/2017. While the DFG allocation is primarily for the purpose of mandatory grants to enable adaptations to disabled people's homes, as part of the BCF planning process it is possible to invest some DFG grant funding on wider social care capital projects. Based on the existing DFG adaptations programme it is estimated that £1.4m may be available for this wider use subject to approval of Cabinet / Council and incorporation into Better Care Fund plans. All plans will be consider by SCIG.