

Report to:	Cabinet	Date of Meeting:	Thursday 5 October 2017
Subject:	Revenue and Capital Budget Update 2017/18		
Report of:	Head of Corporate Resources	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

To inform Cabinet of: -

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

Recommendation(s):

Cabinet is recommended to:-

- i) Note the forecast deficit outturn position of £0.843m as at the end of August 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; and,
- iv) Note the current progress in the delivery of 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 August 2017 and to provide an updated forecast of the outturn position with regard to the collection of Council Tax and Business Rates.

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 £0.843m is currently forecast.

(B) Capital Costs

The Councils capital budget in 2017/18 is £26.610m. As at the end of August 2017, expenditure of £5.039m has been incurred and a full year outturn of £24.135m is currently forecast.

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 4861/17) and Head of Regulation and Compliance (LD 4145/17) 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) (Section 3).
- 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 (Sections 4 and 5).
- 1.4 An updated position with regard to the 2017/18 Capital Programme is also provided as at the end of August (Section 6).

2. Budget Plan 2017/18 – 2019/20

- 2.1 The Council has a history of excellent financial management during the period of austerity that has been in place within local government since 2010. Up until 2016/2017 the Council has addressed a funding gap of £169m since 2010. In that period the Council has been met the financial challenge and ensured that a sustainable budget position is delivered.
- 2.2 It is against this backdrop of decreased funding from Central Government and an increased reliance on local funding streams that the Council, in March 2017, set out a three year budget package to deliver its key priorities whilst remaining within the reduced funding envelope. The further £64m of savings agreed, thus brought the total value of savings over a 10 year period to £233m. This value should be considered against the Council's 2017/18 net budget of £203.2m.
- 2.3 This programme of activity, the scale of the financial challenge facing the Council over the 3 years and the level of transformation required (as set out in the Framework for Change) means that the Council will need to continually manage the risks presented from both a service delivery and financial sustainability point of view.

- 2.4 The financial environment that local government, and Sefton in particular, operates within continues to present a number of challenges. In addition to the severe funding reductions that will continue up until 2020, the demand pressures facing the council across a range of services continue to increase with no long term sustainable funding solutions being offered by central government. This is particularly important in respect of the demand upon Adult Social Care services and the unpredictability of demand in Children's Social Care.
- 2.5 Despite the level of savings agreed for 2017/2018, in addition to the demand pressures being faced, careful financial management across the Council means that the forecast outturn position (outlined in Section 3) only shows a net overspend of £0.843m (0.4% of the Council's net budget). Whilst this position is encouraging at this stage of the financial year, due to the demand led pressures that are faced careful financial management by officers will need to continue throughout the year in order to try to achieve a year-end balanced position, in line with that achieved in previous years since austerity was introduced.

3. Summary of Forecast Outturn Position as at the end of August 2017

3.1 At the end of August 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. A summary of these is as follows and 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 development of the potential options for 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 Procurement Programme, 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).

3.2 Due to anticipated net underspends elsewhere within the budget a net deficit position for the year of £0.843m 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	2.884	(0.039)	0.000
Strategic Support Unit	2.932	2.987	0.055	0.062
Adult Social Care	87.965	86.902	(1.063)	(1.302)
Children's Social Care	27.487	28.195	0.708	0.351
Communities	10.347	10.339	(0.008)	0.029
Corporate Resources	5.015	4.732	(0.283)	(0.251)
Health & Wellbeing	23.321	23.245	(0.076)	(0.026)
Inward Investment and Employment	2.643	2.718	0.075	0.002
Locality Services - Commissioned	18.426	18.250	(0.176)	(0.002)
Locality Services - Provision	9.640	10.105	0.465	0.415
Regeneration and Housing	4.532	4.252	(0.280)	(0.147)
Regulation and Compliance	3.598	3.280	(0.318)	(0.311)
Schools and Families	25.317	25.387	0.070	0.161
Total Service Net Expenditure	224.146	223.276	(0.870)	(1.019)
Public Sector Reform Savings not allocated to services	(2.134)	(0.478)	1.656	1.656
Reversal of Capital Charges	(13.376)	(13.376)	0.000	0.000
Council Wide Budgets	(2.076)	(2.019)	0.057	0.049
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	204.026		
Forecast Year-End Deficit			0.843	0.686

3.3 This revised forecast deficit of £0.843m compares to the deficit of £0.686m that was previously forecast, an increase of £0.157m.

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

- **Adult Social Care** – The forecast underspend has reduced by £0.229m due to increased pressures on the Community Care budget. 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.
- **Children’s Social Care** – The forecast overspend has increased by £0.357m due to increased costs relating to residential care and placements.
- **Locality Services - Commissioned** – The forecast underspend has increased by £0.174m due to additional income relating to Highways Management activities currently being forecast.
- **Regeneration and Housing** – The forecast underspend has increased by £0.133m due to vacancy savings, increased income from Planning Applications and additional one-off income for Building Control fees.

3.5 As stated previously, this report reflects the financial position for the Council early in the year and as such will be the subject to change over the next seven months. Key risks facing this position will continue to be demand led pressure in both Adult’s and Children’s services and the potential impact of winter weather conditions.

3.6 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.

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

4.2 The forecast outturn at the end of August 2017 is a surplus of £0.381m (£0.294m reported in July). 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 -£0.610m;

- Council Tax Reduction Scheme discounts being lower than estimated at - £0.825m;
- Exemptions and Discounts (including a forecasting adjustment) being higher than estimated at +£0.881m.

4.3 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.

5. Business Rates Income – Update

5.1 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%.

5.2 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.

5.3 The forecast outturn at the end of August 2017 is a deficit of £0.733m on Business Rates income (£0.523m reported in July). 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 -£0.482m.

5.4 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.

6. Capital Programme 2017/18

6.1 The approved capital budget for 2017/18 is £26.610m. This has increased by £0.523m from the previous month. This is due to the addition of 2 schemes that were approved by Cabinet on 27th July 2017. Of this, £0.455m is the budget for the first year of the new 4 year STEP (Sustainable Transport Enhancement Package)

programme and £0.068m relates to an Environment Agency Grant for a review of the Crosby to Formby Point defence strategy.

- 6.2 As at the end of August, expenditure of £5.039m (19%) has been incurred within the approved Capital Programme. It should be noted that these figures do not include the cost of the Councils strategic investment in the Bootle Strand Shopping Centre.
- 6.3 As part of the monthly review project managers are now stating that £24.135m will be spent by year end. This would result in an under spend on the year of £2.475m on the whole programme with an overall delivery rate of 91%. This is summarised below as follows:-

2017/18 Full Year Budget	Actual Expenditure as at August 2017	Forecast Actual Expenditure	Full Year Budget Variance
£m	£m	£m	£m
26.610	5.039	24.135	2.475

- 6.4 In order to achieve the revised forecast of £24.135m, expenditure of £19.096m will need to be incurred between now and the end of the year.

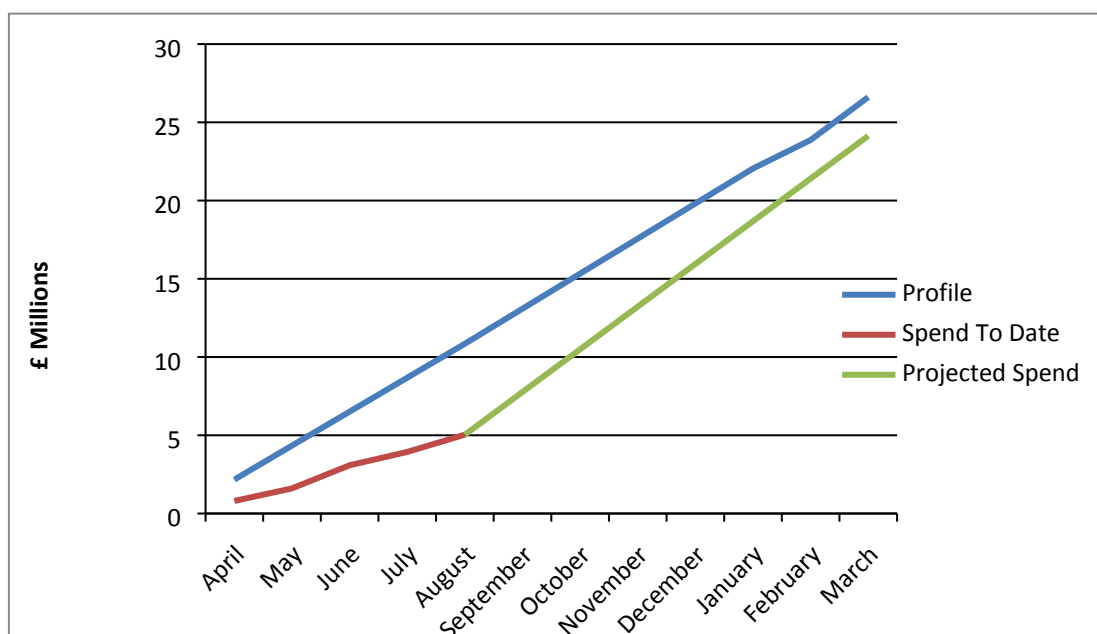
6.5 Key Variations on Overall Programme

It can be seen from the current forecast position that approximately £2.475m 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)		
M58 Junction 1 Improvements	-0.260	Scheme re phased with slight increase in expenditure in Year 1. No change in overall cost of the scheme.
Resources to be carried forward into next year (key items)		
Vehicle Replacement Programme	1.725	A request will be made to re phase this budget in order to meet actual vehicle replacement requirements.
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.
Parks – Seaforth Area Replacement MUGA	0.080	A request will be made to re phase the budget as spend location awaiting agreement.
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	2.407	
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.
Total	0.279	

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



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

	Full Year Budget	Expenditure to August 17	Expenditure to August 17 as a % of Budget	Budget Remaining
	£m	£m	%	£m
Corporate Resources	0.498	0.044	8.8	0.454
Locality Services – Commissioned	7.992	1.084	13.6	6.908
Locality Services - Provision	2.471	0.064	2.6	2.407
Regeneration and Housing	1.162	0.858	73.8	0.304
Regulation and Compliance	0.015	0.002	13.3	0.013
Health & Wellbeing	1.029	0.125	12.1	0.904
Adult Social Care	1.540	0.582	37.8	0.958
Schools and Families	5.292	1.127	21.3	4.165
Communities	2.176	0.420	19.3	1.756
Inward Investment & Employment	1.947	0.007	0.4	1.940
Disabled Facilities Grant	2.488	0.726	29.2	1.762
Total Capital Programme	26.610	5.039	18.9	21.571

6.8 Financing of the 2017/18 Capital Programme

	Budget £m
Government Grants*	20.326
Borrowing	2.838
S106	1.730
Contribution	1.710
Capital Receipt	0.006
TOTAL	26.610

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