

Report to:	Cabinet	Date of Meeting:	2 November 2017
Subject:	Revenue and Capital Budget Plan 2017/18 - 2019/20		
Report of:	Head of Corporate Resources	Wards Affected:	(All Wards);
Portfolio:	Leader of the Council		
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 September. 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 £0.978m as at the end of September 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 September 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 £1.922m 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 £0.978m is currently forecast.

(B) Capital Costs

The Council's capital budget in 2017/18 is £26.610m. As at the end of September 2017, expenditure of £6.358m has been incurred and a full year outturn of £23.601m is currently forecast.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): Should the forecast deficit position for 2017/18 (£0.978m) be realised at the year end, the Authority would have to utilise reserves in order to finance the shortfall.
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 4899//17) and Head of Regulation and Compliance (LD 4183/17) 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 2).
- 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 3 and 4).
- 1.4 An updated position with regard to the 2017/18 Capital Programme is also provided as at the end of September (Section 5).

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 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) shows a net overspend of £0.978m (0.5% of the Council's net budget). This forecast highlights a slightly worsening (£0.135m) compared to the August position. Whilst this position is encouraging at this stage of the financial year, due to the demand led pressures that are faced, particularly in Adults and Children's Services, careful financial management 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.

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

- 3.1 At the end of September 2017, a forecast financial position on approved Public Sector Reform savings indicates that approximately £1.922m of 2017/18 savings are highlighted as "red" i.e. 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 re-phased into future years as a result of additional work on staff accommodation planning;
- Locality Teams & Personalisation (£0.389m) - a variety of consultations are leading to a slight delay in this project with the shortfall requiring to be re-phased 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 (£0.763m) - 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), these are the Acute Wrap-around Services and All Age Disability Pathway projects.

3.2 Due to anticipated net underspends elsewhere within the budget a net deficit position for the year of £0.978m is currently forecast. This is shown in the table below:

	Budget	Forecast Outturn	Variance	Position previously reported
	£m	£m	£m	£m
<u>Services</u>				
Strategic Management	2.923	2.884	(0.039)	(0.039)
Strategic Support Unit	3.827	3.849	0.022	0.055
Adult Social Care	87.070	85.947	(1.123)	(1.063)
Children's Social Care	27.487	28.307	0.820	0.708
Communities	10.347	10.232	(0.115)	(0.008)
Corporate Resources	5.015	4.743	(0.272)	(0.283)
Health & Wellbeing	23.321	23.245	(0.076)	(0.076)
Inward Investment and Employment	2.643	2.787	0.144	0.075
Locality Services - Commissioned	18.426	18.203	(0.223)	(0.176)
Locality Services - Provision	9.640	10.380	0.740	0.465
Regeneration and Housing	4.532	4.264	(0.268)	(0.280)
Regulation and Compliance	3.598	3.185	(0.413)	(0.318)
Schools and Families	25.317	25.384	0.067	0.070
<u>Total Service Net Expenditure</u>	224.146	223.410	(0.736)	(0.870)
Public Sector Reform Savings not allocated to services	(2.134)	(0.477)	1.657	1.656
Reversal of Capital Charges	(13.376)	(13.376)	0.000	0.000
Council Wide Budgets	(2.076)	(2.019)	0.057	0.057
Levies	31.555	31.555	0.000	0.000
General Government Grants	(34.932)	(34.932)	0.000	0.000
<u>Total Net Expenditure</u>	203.183	204.161		
<u>Forecast Year-End Deficit</u>			0.978	0.843

3.3 This revised forecast deficit of £0.978m compares to the deficit of £0.843m that was previously forecast, an increase of £0.135m.

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

- **Communities** – The forecast is showing an increased underspend on repairs and maintenance on golf courses £0.051m; alley-gate repairs and community safety within the Neighbourhoods Service (£0.038m) and additional Arts car park income £0.010m.
- **Children’s Social Care** – The forecast overspend has increased by a further £0.112m since August, due mainly to increased costs arising from 2 residential agency care placements from September.
- **Locality Services - Provision** – Projected overspend has increased by £0.275m due to Cleansing £0.145m (additional weed removal, additional bins for new properties and reduced income from leaves recycling), Burials £0.070m (further loss of income due to private competition) and Security Services £0.060m (delay to restructure).
- **Regulation and Compliance** – The forecast underspend has increased now that savings arising from the Service restructure have been fully realised.

3.5 As stated previously this report reflects the financial position for the Council half way through the year and as such will be the subject to change over the next six 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 September 2017 is a surplus of £0.426m (£0.381m reported in August). 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 -£0.633m;
- Council Tax Reduction Scheme discounts being lower than estimated at - £0.879m;
- Exemptions and Discounts (including a forecasting adjustment) being higher than estimated at +£0.913m.

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 September 2017 is a deficit of £0.704m on Business Rates income (£0.733m reported in August). 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 -£0.511m.

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 £28.034m. This has increased by £1.424m from the previous month, which is due to the addition of schemes and amendments that were approved by Cabinet on 21st September 2017.
- 6.2 As at the end of September, expenditure of £6.358m (23%) has been incurred within the approved Capital Programme. It should be noted that these figures do not include the cost of the Council's strategic investment in the Bootle Strand Shopping Centre.
- 6.3 As part of the monthly review project managers are now stating that £23.601m will be spent by year end. This would result in an under spend on the year of £4.433m on the whole programme with an overall delivery rate of 84%. This is summarised below as follows:-

2017/18 Full Year Budget	Actual Expenditure as at September 2017	Forecast Actual Expenditure	Full Year Budget Variance
£m	£m	£m	£m
28.034	6.358	23.601	4.433

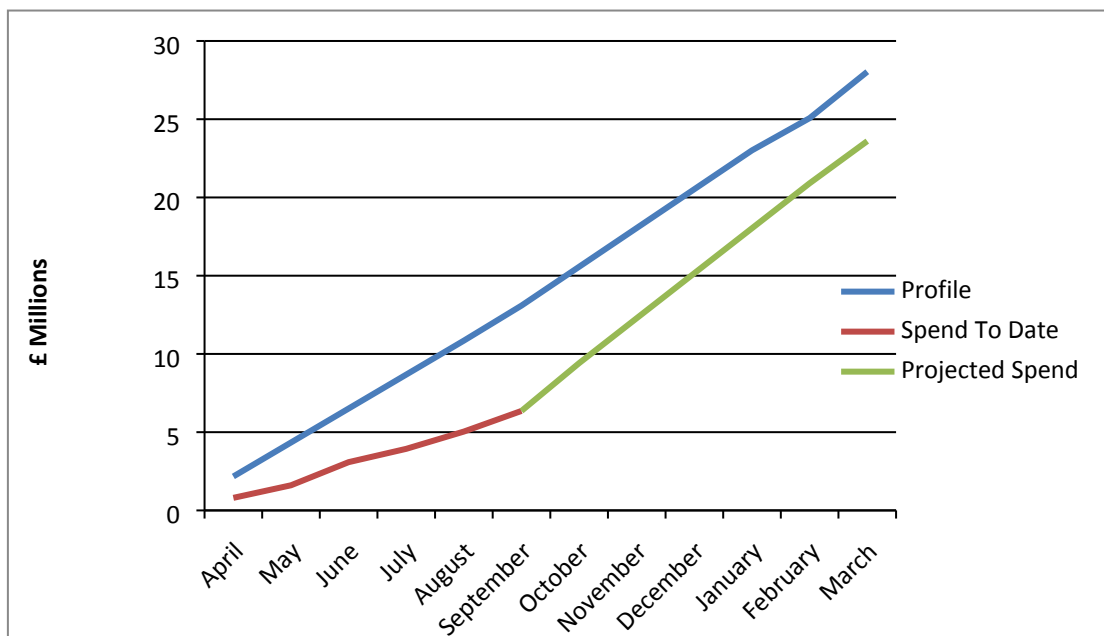
- 6.4 In order to achieve the revised forecast of £23.601m, expenditure of £17.243m will need to be incurred between now and the end of the year.
- 6.5 Key Variations on Overall Programme

It can be seen from the current forecast position that approximately £4.433m 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 – Better Care Fund Allocation Balance	1.068	A request will be made to re-phase this budget that will be used for wider social care capital projects.
Flood Defence – CERMS 2016/21 Sefton	0.300	A request will be made to re phase this budget as surveys delayed due to difficulties of capture.
Crosby Lakeside – High Ropes	0.244	A request will be made to re-phase this budget as scheme on hold awaiting heritage assessment and planning.
Adult Social Care IT Infrastructure	0.161	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
Total	3.843	
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.

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 of expenditure, forecast actual expenditure and full year budget variation as at September 2017 is shown in the following table:

	Full Year Budget	Expenditure to Date	Expenditure to Date as a % of Budget	Forecast Actual Expenditure	Forecast Full Year Budget Variation
	£m	£m	%	£m	£m
Corporate Resources	0.498	0.045	9.0	0.384	0.114
Previous Year Schemes	0.498	0.045	9.0	0.384	0.114
Locality Services – Commissioned	8.309	2.022	24.3	8.155	0.154
<u>New Schemes 2017/18</u>					
STEP Schemes.	0.410	0.000	0.0	0.410	0.000
LTP – New Schemes	1.880	0.501	26.6	1.880	0.000
Previous Year Schemes	6.019	1.521	25.3	5.865	0.154
Locality Services – Provision	2.471	0.064	2.6	0.728	1.743
Previous Year Schemes	2.471	0.064	2.6	0.728	1.743
Regeneration and Housing	1.162	0.851	73.2	1.162	0.000
Previous Year Schemes	1.162	0.851	73.2	1.162	0.000
Regulation and Compliance	0.015	0.002	13.3	0.015	0.000
Previous Year Schemes	0.015	0.002	13.3	0.015	0.000
Health & Wellbeing	1.271	0.157	12.4	0.832	0.439
<u>New Schemes 2017/18</u>					
Renovation of Changing Facilities at Bootle and Dunes.	0.349	0.153	43.8	0.349	0.000
Netherton Activity Centre Fitness Suite Refurb	0.150	0.000	0.0	0.150	0.000
Previous Year Schemes	0.772	0.004	0.5	0.333	0.439
Adult Social Care	2.339	0.590	25.2	0.998	1.341
<u>New Schemes 2017/18</u>					
Integration of Health & Social Care IT Systems	0.040	0.000	0.0	0.000	0.040
Approved Better Care Funding	1.400	0.000	0.0	0.350	1.050
Previous Year Schemes	0.899	0.590	65.6	0.648	0.251

Schools and Families	5.292	1.251	23.6	5.157	0.135
<u>New Schemes 2017/18</u>					
Great Crosby Primary Phase 3 increase half a form.	0.217	0.119	54.8	0.217	0.000
Linaker Primary Temp Class.	0.150	0.056	37.3	0.114	0.036
Linacre Primary Refurb Class.	0.170	0.000	0.0	0.170	0.000
Waterloo Primary Fire Alarm.	0.050	0.004	8.0	0.050	0.000
Previous Year Schemes	4.705	1.072	22.8	4.606	0.099
Communities	2.330	0.449	19.3	1.823	0.507
Previous Year Schemes	2.330	0.449	19.3	1.823	0.507
Inward Investment & Employment	1.947	0.017	0.9	1.947	0.000
<u>New Scheme 2017/18</u>					
Southport Pier Refurbishment	1.947	0.017	0.9	1.947	0.000
Total New Schemes 2017/18	6.763	0.850	12.6	5.637	1.126
Total Previous Year Schemes	18.871	4.598	24.4	15.564	3.307
Disabled Facilities Grant	2.400	0.910	37.9	2.400	0.000
Total Capital Programme	28.034	6.358	22.7	23.601	4.433

NB Previous Years Programme includes additional resources approved for previously approved schemes and approved resources that were phased over a number of years.

6.8 Financing of the 2017/18 Capital Programme

	Budget
	£m
Government Grants*	21.179
Borrowing	3.060
S106	1.884
Contribution	1.885
Capital Receipt	0.026
TOTAL	28.034

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