

Report to:	Cabinet Council	Date of Meeting:	7 December 2017 25 January 2018
Subject:	Revenue and Capital Budget Plan 2017/18 - 2019/20		
Report of:	Head of Corporate Resources	Wards Affected:	(All Wards);
Portfolio:	Head of Corporate Resources		
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 October. 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 a section 106 scheme be added.

Recommendation(s):

Cabinet is recommended to:-

- i) Note the forecast deficit outturn position of £1.790m as at the end of October 2017 and approve the development of a remedial action plan as set out within the report that will aim to deliver a balanced in year budget and establish a sustainable position for future years;
- 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 and the forecast outturn position for the year; and
- v) Include an additional section 106 scheme, outlined in paragraph 6.9 to the Capital Programme.

Council is recommended to:-

- i) Include an additional section 106 scheme, outlined in paragraph 6.9, to the 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 October 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 and additional scheme 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 £1.909m 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 £1.790m is currently forecast.

(B) Capital Costs

The Council's capital budget in 2017/18 is £28.159m. As at the end of October 2017, expenditure of £7.538m has been incurred and a full year outturn of £23.747m 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.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): Should the forecast deficit position for 2017/18 (£1.790m) 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: A sustainable revenue and capital budget is a key enabler to the delivery of the Councils core purpose as set out below

Protect the most vulnerable:
Facilitate confident and resilient communities:

Commission, broker and provide core services:
Place – leadership and influencer:
Drivers of change and reform:
Facilitate sustainable economic prosperity
Greater income for social investment:
Cleaner Greener:

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources (FD 4932//17) and Head of Regulation and Compliance (LD 4217/17) 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 October (Section 6). Approval of a number of schemes for inclusion in the 2016/17 Capital Programme, to be financed from Section 106 monies is also sought.

2. Budget Plan 2017/18 – 2019/20

- 2.1 As stated the Council's three year budget package requires a further £64m of savings to be made in the period 2017/18 to 2019/20 in addition to that delivered in previous years. The Council has identified the Framework for Change programme as the delivery vehicle for the achievement of these savings, taking into account the Public Sector Reform programme, service budget options and the strategic investment and economic growth workstreams.
- 2.2 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.
- 2.3 Members will recall that in the Medium Term Financial Plan update provided earlier in the financial year, it was assessed that there would be no change in central government policy in respect of local government funding. As a result the current assumptions remain within the 3 year financial plan and there are still no long term sustainable funding solutions being offered by central government in relation to Adult Social Care and Children's Social Care in particular. As a result the Council

remains in a very difficult financial position in both the short and medium term due to the severity of the funding reductions it faces.

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

- 3.1 The forecast outturn position as at the end of October shows a net overspend of £1.790m (0.9% of the Council's net budget). This forecast highlights an adverse position of £0.812m to that reported as at the end of September. Should this position continue to the financial year end, it would require an increased utilisation of reserves.
- 3.2 At the end of October 2017, a forecast financial position on approved Public Sector Reform savings indicates that approximately £1.909m of 2017/18 savings are highlighted as "red" i.e. at risk of not being achieved in the year (£1.922m in September). Full details of the progress on all Public Sector Reform projects is provided at Appendix A.
- 3.3 Due to anticipated net underspends elsewhere within the budget a net deficit position for the year of £1.790m 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	2.872	(0.051)	(0.039)
Strategic Support Unit	3.827	3.838	0.011	0.022
Adult Social Care	87.070	86.254	(0.816)	(1.123)
Children's Social Care	27.225	28.235	1.010	0.820
Communities	10.347	10.231	(0.116)	(0.115)
Corporate Resources	5.365	5.071	(0.294)	(0.272)
Health & Wellbeing	23.380	23.304	(0.076)	(0.076)
Inward Investment and Employment	2.643	2.757	0.114	0.144
Locality Services - Commissioned	18.336	18.076	(0.260)	(0.223)
Locality Services - Provision	9.640	10.460	0.820	0.740
Regeneration and Housing	4.532	4.318	(0.214)	(0.268)
Regulation and Compliance	3.598	3.200	(0.398)	(0.413)
Schools and Families	25.307	25.737	0.430	0.067
Total Service Net	224.193	224.353	0.160	(0.736)

Expenditure				
Public Sector Reform Savings not allocated to services	(1.831)	(0.230)	1.601	1.657
Reversal of Capital Charges	(13.376)	(13.376)	0.000	0.000
Council Wide Budgets	(2.426)	(2.397)	0.029	0.057
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	204.973		
Forecast Year-End Deficit			1.790	0.978

3.4 The key changes that led to a deterioration in the outturn position in the latest monitoring period are :-

- **Adult Social Care** – The forecast net surplus has reduced by £0.307m due to an increase in forecast spend in the Community Care budget based on known client activity to date. It should be noted that the forecast surplus for the year of £0.816m assumes that any further net increase in demand for Community Care services, for the remainder of the year, will not result in an increased cost. The situation will be closely monitored given cost pressures already being experienced in the Community Care budget and the winter pressure period ahead.
- **Children’s Social Care** – The overall change from September to October represents an increase in the forecast deficit of £0.190m. This includes an estimated additional one-off cost of six years back pay for staff working unsocial hours at Cherry Road children’s home and Melrose House (£0.160m). In addition, external placement costs have increased in October by £0.170m. Additional savings generated through the Children’s Social Care restructure of £0.190m have reduced the forecast deficit.
- **Schools and Families** – The biggest variation relates to Specialised Children’s Home to School Transport (£0.375m), where an updated forecast takes into account a high number of new referrals. The new contract came into effect in September and a revised forecast will be reported following the receipt of the first set of monthly actual costs. This will be reported in the next cycle
- **Locality Services Provision** – There is currently a forecast outturn deficit position of £0.820m. There are delays in implementing staffing restructures across a number of services including Building Cleaning, Cleansing and Security. There is also reduced income generation due to external competition, loss of recycling credits and works to upgrade crematoria. There are also additional

works required to improve the locality (e.g. Weed removal) which have no additional funding. There are however some areas to the service that are exceeding targets and offsetting other problems (e.g. Catering).

- 3.5 As stated previously, this report reflects the financial position for the Council seven months into the financial year and as such will be subject to change over the next five months. As has been reported the key risks facing the Council remain the demand led pressure in both Adult's and Children's Services and the potential impact of winter weather conditions.
- 3.6 Whilst the current forecast is an estimate at this stage and there are a number of key risks facing the council between now and the end of the year, it is noted that in previous years when adverse positions have been reported work has been undertaken to bring the final position back to within budget. This will be particularly important in the current year to not only minimise any calls on central balances but also ensure that the Council starts the next financial year from a sustainable position. In order to inform this, the Senior Leadership Board will develop a series of measures to meet this objective. This may include a freeze on non-essential spend and addressing key areas that have inherent budget issues. Progress on these 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.
- 4.2 The forecast outturn position for the Council at the end of October 2017 is a surplus of £0.478m, a change of £0.112m from the September position. This variation is primarily due to:-
- Gross Council Tax Charges in 2017/18 being higher than estimated at -£0.040m;
 - Council Tax Reduction Scheme discounts being lower than estimated at - £0.062m;
 - Exemptions and Discounts (including a forecasting adjustment) being higher than estimated at +£0. 10m.
- 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. 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 October 2017 is a deficit of £0.565m on Business Rates income which is a reduction of £0.132m from the September position. This is due to:
- A change during the year in the forecasting adjustment of -£0.155m.
- 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 £28.159m. This has increased by £0.125m as a result of an increase in the budget of the Southport Commerce Park 3rd Phase Development. This scheme is expected to be completed in the current year
- 6.2 As at the end of October, expenditure of £7.538m (27%) has been incurred within the approved Capital Programme.
- 6.3 As part of the monthly review, project managers are now stating that £23.747m will be spent by year end. This would result in an under spend on the year of £4.412m 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 October 2017	Forecast Actual Expenditure	Full Year Budget Variance
£m	£m	£m	£m

28.159	7.538	23.747	4.412
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6.4 In order to achieve the revised forecast of £23.747m, expenditure of £16.209m will need to be incurred between now and the end of the year (within the last 5 months). Based on current expenditure levels, it is considered that this forecast is ambitious, however historically a significant level of expenditure is incurred in the last 3 months of the year, therefore careful monitoring will be required to support this over the next quarter with a view to providing Members with an informed position in order to support future planning and resource allocation.

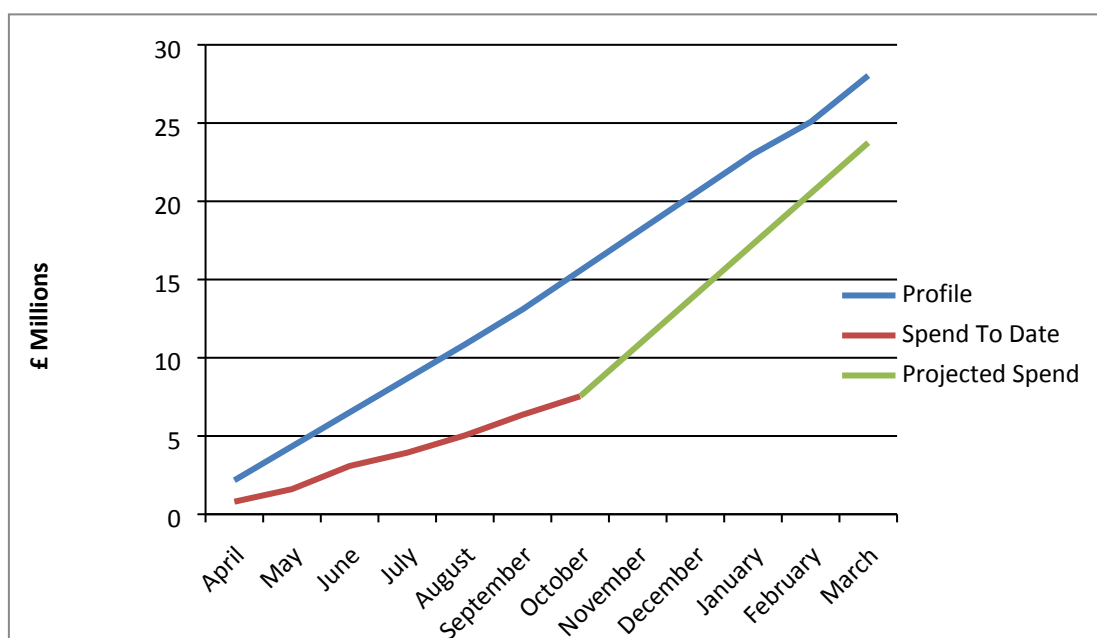
6.5 Key Variations on Overall Programme

It can be seen from the current forecast position that approximately £4.412m 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	1.610	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	3.728	
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.
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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 October 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	0.054	10.8	0.384	0.114
Previous Year Schemes	0.498	0.054	10.8	0.384	0.114
Locality Services – Commissioned	8.309	2.192	26.4	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	0.640	34.0	1.880	0.000
Previous Year Schemes	6.019	1.552	25.8	5.865	0.154
Locality Services – Provision	2.471	0.086	3.5	0.843	1.628
Previous Year Schemes	2.471	0.086	3.5	0.843	1.628
Regeneration and					

Housing	1.287	0.872	67.8	1.236	0.051
Previous Year Schemes	1.287	0.872	67.8	1.236	0.051
Regulation and Compliance	0.015	0.006	40.0	0.015	0.000
Previous Year Schemes	0.015	0.006	40.0	0.015	0.000
Health & Wellbeing	1.271	0.214	16.8	0.832	0.439
<u>New Schemes 2017/18</u>					
Renovation of Changing Facilities at Bootle and Dunes.	0.349	0.209	59.9	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	0.005	0.6	0.333	0.439
Adult Social Care	2.339	0.620	26.5	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	0.620	69.0	0.648	0.251
Schools and Families	5.292	1.800	34.0	5.157	0.135
<u>New Schemes 2017/18</u>					
Great Crosby Primary Phase 3 increase half a form.	0.217	0.170	78.3	0.217	0.000
Linaker Primary Temp Class.	0.150	0.087	58.0	0.122	0.028
Linacre Primary Refurb Class.	0.170	0.104	61.2	0.170	0.000
Waterloo Primary Fire Alarm.	0.050	0.004	8.0	0.050	0.000
Previous Year Schemes	4.705	1.435	30.5	4.598	0.107
Communities	2.330	0.481	20.6	1.780	0.550
Previous Year Schemes	2.330	0.481	20.6	1.780	0.550
Inward Investment & Employment	1.947	0.197	10.1	1.947	0.000
<u>New Scheme 2017/18</u>					

Southport Pier Refurbishment	1.947	0.197	10.1	1.947	0.000
Total New Schemes 2017/18	6.763	1.411	20.9	5.645	1.118
Total Previous Year Schemes	18.996	5.111	26.9	15.702	3.294
Disabled Facilities Grant	2.400	1.016	42.3	2.400	0.000
Total Capital Programme	28.159	7.538	26.8	23.747	4.412

NB Previous Years Programme includes additional resources approved for previously approved schemes and associated 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	3.185
S106	1.884
Contribution	1.885
Capital Receipt	0.026
TOTAL	28.159

*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 October 2017, £0.189m has been received that relates to the Kew overage adjustment, leaving a balance required of £0.520m. It is anticipated that £0.472m will be received by 31 March 2018.

6.9 Further additions to the 2017/18 Capital Programme.

Section 106 monies are contributing to identified projects in the Netherton and Orrell Ward and approval is needed to include the scheme 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 scheme relates to the installation of a new path in the Netherton and Orrell ward at a cost of £24,330.