

|                                      |   |                                  |                 |
|--------------------------------------|---|----------------------------------|-----------------|
| <b>Report to:</b>                    | Cabinet   | <b>Date of Meeting:</b>          | 11 January 2018 |
| <b>Subject:</b>                      | Revenue and Capital Budget Plan 2017/18 - 2019/20 |                                  |                 |
| <b>Report of:</b>                    | Head of Corporate Resources                       | <b>Wards Affected:</b>           | (All Wards);    |
| <b>Portfolio:</b>                    | Corporate Resources                               |                                  |                 |
| <b>Is this a Key Decision:</b>       | Yes   | <b>Included in Forward Plan:</b> | Yes             |
| <b>Exempt / Confidential Report:</b> | No  |                                  |                 |

### Summary:

To inform Cabinet of: -

- i) The current forecast revenue outturn position for the Council for 2017/18 as at the end of November. 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) Agree that further actions will be considered to deliver a balanced in-year budget which is currently forecasting a financial year-end deficit position of £1.721m;
- ii) Agree the progress to date on the achievement of approved Public Sector Reform savings for 2017/18;
- iii) Agree the forecast position on the collection of Council Tax and Business Rates for 2017/18; and
- iv) Agree the current progress in the delivery of the 2017/18 Capital Programme and the forecast outturn position for the year.

### 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 November 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 £1.891m 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 £1.721m is currently forecast.

**(B) Capital Costs**

The Council’s capital budget in 2017/18 is £28.159m. As at the end of November 2017, expenditure of £9.109m has been incurred and a full year outturn of £23.770m is currently forecast.

**Implications of the Proposals:**

|   |
|---|
| <b>Resource Implications (Financial, IT, Staffing and Assets):</b><br>Should the forecast deficit position for 2017/18 (£1.721m) be realised at the year end, the Authority would have to utilise reserves in order to finance the shortfall. |
| <b>Legal Implications:</b><br>None  |
| <b>Equality Implications:</b><br>None   |

**Contribution to the Council’s Core Purpose:** A sustainable revenue and capital budget will enable 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 4979/17) and Head of Regulation and Compliance (LD 4264/17) 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 November (Section 6).

## **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. Following the Chancellor of the Exchequers recent budget this position has been confirmed and as a result the current assumptions remain within the 3 year financial plan with 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 November 2017**

- 3.1 The forecast outturn position as at the end of November shows a net overspend of £1.721m (0.85% of the Council's net budget). This forecast highlights a slight improvement of £0.069m to that reported as at the end of October. Should this

position continue to the financial year end, any deficit would require the utilisation of reserves.

3.2 At the end of November 2017, a forecast financial position on approved Public Sector Reform savings indicates that approximately £1.891m of 2017/18 savings are highlighted as “red” i.e. at risk of not being achieved in the year (a marginal improvement from £1.909m reported in October). Full details of the progress on all Public Sector Reform projects are provided at Appendix A.

3.3 Due to anticipated net underspends elsewhere within the budget a net deficit position for the year of £1.721m is currently forecast. This is shown in the table below:

|  | <b>Budget</b>  | <b>Forecast<br/>Outturn</b> | <b>Variance</b> | <b>Position<br/>previously<br/>reported</b> |
|--|----------------|-----------------------------|-----------------|---|
|  | <b>£m</b>      | <b>£m</b>                   | <b>£m</b>       | <b>£m</b>                                   |
| <b><u>Services</u></b>                                       |                |                             |                 |   |
| Strategic Management   | 2.923          | 2.939                       | 0.015           | (0.051)                                     |
|  |                |                             |                 |   |
| Strategic Support Unit                                       | 3.827          | 3.815                       | (0.012)         | 0.011                                       |
| Adult Social Care  | 87.070         | 86.197                      | (0.873)         | (0.816)                                     |
| Children's Social Care                                       | 27.225         | 28.349                      | 1.124           | 1.010                                       |
| Communities  | 10.347         | 10.222                      | (0.124)         | (0.116)                                     |
| Corporate Resources  | 5.365          | 5.030                       | (0.335)         | (0.294)                                     |
| Health & Wellbeing   | 23.380         | 23.195                      | (0.185)         | (0.076)                                     |
| Inward Investment and<br>Employment                          | 2.643          | 2.768                       | 0.125           | 0.114                                       |
| Locality Services -<br>Commissioned                          | 18.336         | 17.898                      | (0.439)         | (0.260)                                     |
| Locality Services -<br>Provision                             | 9.640          | 10.674                      | 1.035           | 0.820                                       |
| Regeneration and<br>Housing                                  | 4.532          | 4.363                       | (0.168)         | (0.214)                                     |
| Regulation and<br>Compliance                                 | 3.655          | 3.229                       | (0.426)         | (0.398)                                     |
| Schools and Families   | 25.307         | 25.671                      | 0.363           | 0.430                                       |
|  |                |                             |                 |   |
| <b><u>Total Service Net<br/>Expenditure</u></b>              | <b>224.250</b> | <b>224.350</b>              | <b>0.100</b>    | <b>0.160</b>                                |
|  |                |                             |                 |   |
| Public Sector Reform<br>Savings not allocated to<br>services | (1.831)        | (0.230)                     | 1.601           | 1.601                                       |
| Reversal of Capital<br>Charges                               | (13.376)       | (13.376)                    | 0.000           | 0.000                                       |
| Council Wide Budgets   | (2.483)        | (2.463)                     | 0.020           | 0.029                                       |
| Levies   | 31.555         | 31.555                      | 0.000           | 0.000                                       |
| General Government<br>Grants                                 | (34.932)       | (34.932)                    | 0.000           | 0.000                                       |
| <b><u>Total Net Expenditure</u></b>                          | <b>203.183</b> | <b>204.904</b>              |                 |   |

|                                  |  |  |              |              |
|----------------------------------|--|--|--------------|--------------|
|                                  |  |  |              |              |
| <b>Forecast Year-End Deficit</b> |  |  | <b>1.721</b> | <b>1.790</b> |

3.4 The key changes to the outturn position in the latest monitoring period are :-

- **Health and Wellbeing** – The forecast net surplus has increased by £0.109m. This is mainly due to a one off refund for NNDR for Crosby Lakeside following settlement, of a long standing case, with the Valuation Office. There is also an anticipated underspend on the smoking and sexual health service.
- **Children’s Social Care** – The variation between October and November is largely down to an increase in high cost residential agency placements £0.160m. In addition, there are some small reductions to a back-pay calculation involving residential staff pay costs (£-0.030m); along with an increase in some staff vacancies ( £-0.016m).
- **Locality Services Commissioned** – The increase in surplus this month of £0.178m is due to increased Transport & Highway Infrastructure (TH&I) income of £0.087m along with TH&I Supplies & Services savings of £0.034m and increased savings of £0.057m on Green Infrastructure Services. In addition to these savings there is an aim to achieve a further saving of £0.069m on Highway Maintenance and once this is more certain it will be included in the savings figures.
- **Locality Services Provision** – The increase in overspend of £0.215m is mainly due to a lower expectation of Cemeteries & Crematoria and Security Service income.

3.5 As stated previously, this report reflects the financial position for the Council eight months into the financial year and as such will be subject to change over the final four 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.

3.7 Within the previous monitoring report, it was advised that a remedial action plan would be developed to support the current year’s budget. To date approximately £1m has been identified that will support this position from a full review of all outturn forecasts, income sources and central budgets. Thus at this stage the net budget requires a further £0.7m to be identified based upon the current forecast. Work is continuing within SLB to identify this funding in addition to controlling were possible current expenditure and income. Progress on this work will continue throughout the financial year in order to minimise any deficit on the final budget position. In

addition work is ongoing to ensure that in accordance with the Councils MTFP and Framework for Change programme that a sustainable budget will be set for 2018/19 that takes account of these in year variations

#### **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 November 2017 is a surplus of £0.662m, a change of £0.184m from the October position. This variation is primarily due to:-
- Gross Council Tax Charges in 2017/18 being higher than estimated at -£0.038m;
  - Council Tax Reduction Scheme discounts being lower than estimated at - £0.057m;
  - Exemptions and Discounts (including a forecasting adjustment) being higher than estimated at -£0.0.89m.
- 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 position for the Council at the end of November 2017 is a deficit of £0.445m on Business Rates income which is a reduction of £0.120m from the October position. This is largely due to an increase in the gross charge on rateable properties.
- 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.
- 6.2 As at the end of November, expenditure of £9.109m (32.3%) has been incurred within the approved Capital Programme.
- 6.3 As part of the monthly review project managers are now stating that £23.770m will be spent by year end. This would result in an under spend on the year of £4.389m on the whole programme with an overall delivery rate of 84.4%. This is summarised below as follows:-

| 2017/18 Full Year Budget | Actual Expenditure as at November 2017 | Forecast Actual Expenditure | Full Year Budget Variance |
|--------------------------|--|-----------------------------|---------------------------|
| £m                       | £m                                     | £m                          | £m                        |
| <b>28.159</b>            | <b>9.109</b>                           | <b>23.770</b>               | <b>4.389</b>              |

- 6.4 In order to achieve the revised forecast of £23.770m, expenditure of £14.661m will need to be incurred between now and the end of the year (within the last 4 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.

### 6.5 Key Variations on Overall Programme

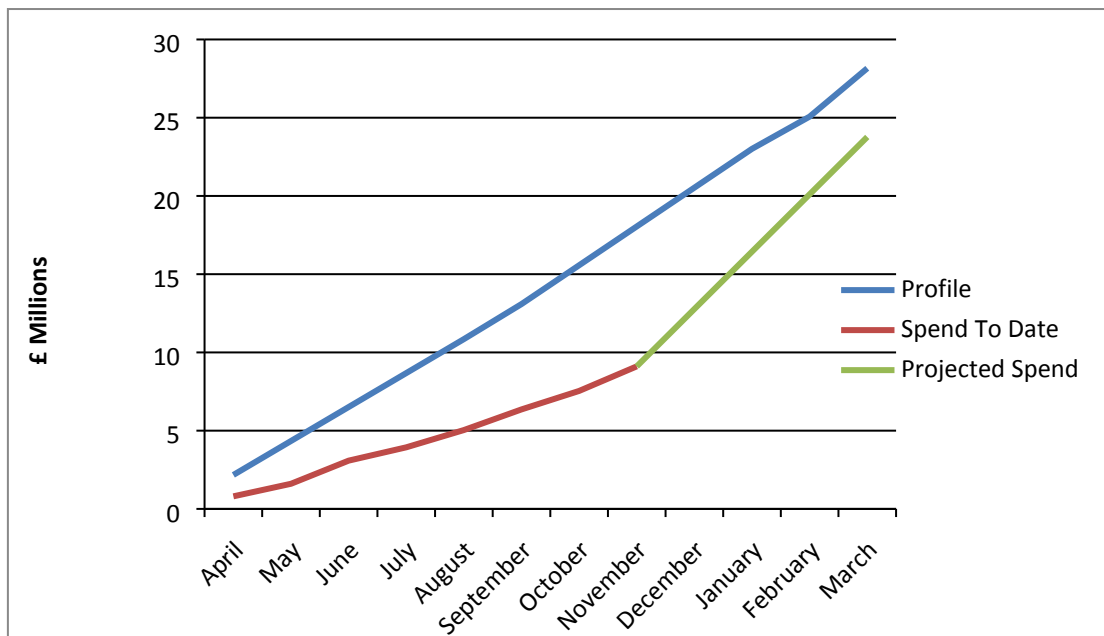
It can be seen from the current forecast position that approximately £4.389m of expenditure will not be delivered in the current year. The key variations to this forecast are as follows:-

| Scheme  | Key Variation £'m | Explanation  |
|---|-------------------|--|
| <b>Potential Overspends Identified (key items)</b>                |                   |  |
| 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. |
| <b>Resources to be carried forward into next year (key items)</b> |                   |  |
| 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 the required surveys to support the project have been delayed due to difficulties in capturing the required information. |
| Crosby Lakeside – High Ropes                            | 0.244        | A request will be made to re-phase this budget as the scheme has been delayed pending 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  |
| Maghull Leisure Centre                                  | 0.181        | This balance is held to fund additional car parking funded by prudential borrowing. A request will be made to re-phase this budget.  |
| <b>Total</b>  | <b>3.909</b> |  |

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 November 2017 is shown in the following table:

|  | Full Year Budget | Expenditure to Date | Expenditure to Date as a % of Budget | Forecast Actual Expenditure to Date | Full Year Budget Variation To Date |
|--|------------------|---------------------|--------------------------------------|-------------------------------------|------------------------------------|
|  | £m               | £m                  | %                                    | £m                                  | £m                                 |
| <b>Corporate Resources</b>                             | <b>0.498</b>     | <b>0.096</b>        | <b>19.3</b>                          | <b>0.414</b>                        | <b>0.084</b>                       |
| Previous Year Schemes                                  | 0.498            | 0.096               | 19.3                                 | 0.414                               | 0.084                              |
| <b>Locality Services – Commissioned</b>                | <b>8.309</b>     | <b>2.919</b>        | <b>35.1</b>                          | <b>8.155</b>                        | <b>0.154</b>                       |
| <u>New Schemes 2017/18</u>                             |                  |                     |                                      |                                     |                                    |
| STEP Schemes.  | 0.410            | 0.000               | 0.0                                  | 0.410                               | 0.000                              |
| LTP – New Schemes                                      | 1.880            | 1.236               | 65.7                                 | 1.880                               | 0.000                              |
| Previous Year Schemes                                  | 6.019            | 1.683               | 28.0                                 | 5.865                               | 0.154                              |
| <b>Locality Services – Provision</b>                   | <b>2.471</b>     | <b>0.154</b>        | <b>6.2</b>                           | <b>0.843</b>                        | <b>1.628</b>                       |
| Previous Year Schemes                                  | 2.471            | 0.154               | 6.2                                  | 0.843                               | 1.628                              |
| <b>Regeneration and Housing</b>                        | <b>1.287</b>     | <b>0.872</b>        | <b>67.8</b>                          | <b>1.236</b>                        | <b>0.051</b>                       |
| Previous Year Schemes                                  | 1.287            | 0.872               | 67.8                                 | 1.236                               | 0.051                              |
| <b>Regulation and Compliance</b>                       | <b>0.015</b>     | <b>0.006</b>        | <b>40.0</b>                          | <b>0.015</b>                        | <b>0.000</b>                       |
| Previous Year Schemes                                  | 0.015            | 0.006               | 40.0                                 | 0.015                               | 0.000                              |
| <b>Health &amp; Wellbeing</b>                          | <b>1.271</b>     | <b>0.229</b>        | <b>18.0</b>                          | <b>0.832</b>                        | <b>0.439</b>                       |
| <u>New Schemes 2017/18</u>                             |                  |                     |                                      |                                     |                                    |
| Renovation of Changing Facilities at Bootle and Dunes. | 0.349            | 0.224               | 64.2                                 | 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                              |
| <b>Adult Social Care</b>                               | <b>2.339</b>     | <b>0.620</b>        | <b>26.5</b>                          | <b>0.998</b>                        | <b>1.341</b>                       |
| <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                                   | 1.418            | 0.000               | 0.0                                  | 0.350                               | 1.068                              |

|  |               |              |             |               |              |
|--|---------------|--------------|-------------|---------------|--------------|
| Funding  |               |              |             |               |              |
| Previous Year Schemes                              | 0.881         | 0.620        | 70.4        | 0.648         | 0.233        |
| <b>Schools and Families</b>                        | <b>5.292</b>  | <b>2.036</b> | <b>38.5</b> | <b>5.139</b>  | <b>0.153</b> |
| <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        | 0.114         | 0.036        |
| Linacre Primary Refurb Class.                      | 0.170         | 0.107        | 62.9        | 0.170         | 0.000        |
| Waterloo Primary Fire Alarm.                       | 0.050         | 0.004        | 8.0         | 0.050         | 0.000        |
| Previous Year Schemes                              | 4.705         | 1.668        | 35.5        | 4.588         | 0.117        |
| <b>Communities</b>                                 | <b>2.330</b>  | <b>0.542</b> | <b>23.3</b> | <b>1.791</b>  | <b>0.539</b> |
| Previous Year Schemes                              | 2.330         | 0.542        | 23.3        | 1.791         | 0.539        |
| <b>Inward Investment &amp; Employment</b>          | <b>1.947</b>  | <b>0.439</b> | <b>22.5</b> | <b>1.947</b>  | <b>0.000</b> |
| <u>New Scheme 2017/18</u>                          |               |              |             |               |              |
| Southport Pier Refurbishment                       | 1.947         | 0.439        | 22.5        | 1.947         | 0.000        |
|  |               |              |             |               |              |
| <b>Total New Schemes 2017/18</b>                   | <b>6.781</b>  | <b>2.267</b> | <b>33.4</b> | <b>5.637</b>  | <b>1.144</b> |
| <b>Total Previous Year Schemes</b>                 | <b>18.978</b> | <b>5.646</b> | <b>29.8</b> | <b>15.733</b> | <b>3.245</b> |
| <b>Disabled Facilities Grant</b>                   | <b>2.400</b>  | <b>1.196</b> | <b>49.8</b> | <b>2.400</b>  | <b>0.000</b> |
| <b>Total Capital Programme</b>                     | <b>28.159</b> | <b>9.109</b> | <b>32.3</b> | <b>23.770</b> | <b>4.389</b> |

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         |
| <b>TOTAL</b>    | <b>28.159</b> |

\*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. As at the end of November 2017 £0.246m has been received leaving a balance required of £0.463m. It is anticipated that a further £0.472m of receipts will be received by 31 March 2018.