

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	1 February 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>	Regulatory, Compliance and Corporate Services		
<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 December. This forecast is 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) Confirm that further remedial actions with a value of £1.379m are developed in order to deliver a balanced in-year budget. This will support the £1.000m of actions that have already been identified;
- 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 December 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

The financial position on approved Public Sector Reform savings last month indicate that approximately £1.891m of 2017/18 savings are at risk of not being achieved in the year. Due to anticipated additional net overspends elsewhere within the budget (+£0.658m), an increased deficit position for the year of £2.379m is forecast. At present remedial actions of £1.000m have been identified. A balance of £1.379m remains to be met in order to deliver a balanced budget based upon the information available.

Any under-achievement of the approved revenue budget savings for 2017/18 (or additional pressures 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.

### (B) Capital Costs

The Council's capital budget in 2017/18 is £28.159m. As at the end of December 2017, expenditure of £11.052m has been incurred and a full year outturn of £22.651m is currently forecast.

### Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> Should the forecast deficit position for 2017/18 (£2.379m) be realised at the year end, the Authority would have to utilise reserves in order to finance the shortfall.
<b>Legal Implications:</b> The Council is obliged to balance the annual budget under Section 25 Local Government Act 2003.
<b>Equality Implications:</b> None

**Contribution to the Council's Core Purpose:** A sustainable revenue and capital budget will enable the delivery of the Council's core purpose as set out below

Protect the most vulnerable: See above
Facilitate confident and resilient communities: See above
Commission, broker and provide core services: See above
Place – leadership and influencer: See above
Drivers of change and reform: See above
Facilitate sustainable economic prosperity: See above
Greater income for social investment: See above
Cleaner Greener: See above

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**What consultations have taken place on the proposals and when?**

**(A) Internal Consultations**

The Head of Corporate Resources (FD 4999/17) and Head of Regulation and Compliance (LD 4284/17) 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 December (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 following the Chancellor of the Exchequers recent budget there will be no change in central government policy in respect of local government funding and therefore 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 December 2017

- 3.1 The forecast outturn position, as at the end of December 2017, shows a net overall overspend of £2.379m (1.17% of the Council's net budget). This forecast highlights a worsening position of £0.658m to that reported as at the end of November.
- 3.2 Within the above forecast financial position, approximately £1.891m of 2017/18 Public Sector Reform project savings are highlighted as "red" i.e. at risk of not being achieved in the year. This position hasn't changed from that reported in November. 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 £2.379m is currently forecast. This is shown in the table below:

	<b>Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>	<b>Position previously reported</b>
<b>Services</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Strategic Management	2.923	2.937	0.014	0.015
Strategic Support Unit	3.827	3.792	(0.035)	(0.012)
Adult Social Care	87.070	86.735	(0.335)	(0.873)
Children's Social Care	27.225	28.489	1.264	1.124
Communities	10.347	10.242	(0.105)	(0.124)
Corporate Resources	5.365	5.031	(0.334)	(0.335)
Health & Wellbeing	23.379	23.194	(0.185)	(0.185)
Inward Investment and Employment	2.643	2.764	0.121	0.125
Locality Services - Commissioned	18.336	17.883	(0.453)	(0.439)
Locality Services - Provision	9.640	10.674	1.034	1.035
Regeneration and Housing	4.532	4.365	(0.167)	(0.168)
Regulation and Compliance	3.655	3.192	(0.463)	(0.426)
Schools and Families	25.307	25.713	0.406	0.363
<b>Total Service Net Expenditure</b>	<b>224.250</b>	<b>225.011</b>	<b>0.762</b>	<b>0.100</b>
PSR savings not allocated to services	(1.831)	(0.230)	1.601	1.601
Reversal of Capital Charges	(13.376)	(13.376)	0.000	0.000
Council Wide Budgets	(2.483)	(2.467)	0.016	0.020
Levies	31.555	31.555	0.000	0.000
General Government Grants	(34.932)	(34.932)	0.000	0.000
<b>Total Net Expenditure</b>	<b>203.183</b>	<b>205.562</b>		
<b>Forecast Year-End Deficit</b>			<b>2.379</b>	<b>1.721</b>

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

- **Adult Social Care** – The forecast net surplus has decreased by £0.538m mainly due to an increase in the forecast deficit on the Community Care budget - based on known client activity to date (£0.443m). This pressure in the last month reflects the volatility that exists within the budget and which is regularly reported to Members as a key budget risk. The employee forecast surplus has reduced from December by £0.056m. It should be noted that the forecast overall surplus for the year (£0.335m as at the end of December), assumes no further net increase in demand or cost pressures for Community Care services, for the remainder of the year. The situation will continue to be closely monitored given cost pressures already being experienced in the Community Care budget and the winter pressure period.
- **Children's Social Care** – The increase in deficit of £0.140m in December is primarily due to an increase in the cost of placements and care packages (£0.205m) resulting from a general increase in Looked after Children numbers (445 April 17 /460 July 17 /474 Jan 18). In addition there is an increase in Legal Fee costs / Court representation (+£0.059m) partially offset by staffing vacancies (-£0.102m) along with CAMNS Commissioned Services (-£0.022m). Members will recall that the demand pressure within the service particularly around looked after children is one which has been discussed regularly throughout the year and is once again having a material effect on the Councils budget. This pressure is being experienced within a number of local authorities including Sefton and is the subject of extensive work within the service to both support those who require care and to highlight and review the budget impact.

3.5 As stated previously, this report reflects the financial position for the Council nine months into the financial year and as such will be subject to change over the final three 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 last month's monitoring report it was reported that an overspend of £1.721m was forecast. Work was undertaken to identify actions to meet this pressure and this was successful in identifying £1.000m. The worsening position that has arisen during the last month (additional pressure of £0.658m) primarily as a result of the pressure in Adult Social Care will require further savings / cost reductions to take place in order to deliver a balanced budget. This issue highlights the sensitivity and volatility within the Council's overall budget particularly around social care and the need for a flexible approach to be taken towards financial management in order that such pressures can be identified and then considered. This issue also reflects the difficulty that exists in such a challenging financial environment where robust financial management and monitoring can still be overtaken by sudden cost pressures arising and the need to take corrective action at short notice.

3.8 Work is ongoing to ensure that in accordance with the Council's MTFP and Framework for Change programme that a sustainable budget will be set for 2018/19 that takes account any 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 December 2017 is a surplus of £0.747m, a change of £0.085m from the November position. This variation is primarily due to:-

- Gross Council Tax Charges in 2017/18 being higher than estimated at -£0.022m;
- Council Tax Reduction Scheme discounts being lower than estimated at -£0.022m;
- Exemptions and Discounts (including a forecasting adjustment) being higher than estimated at -£0.041m.

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 December 2017 is a deficit of £0.286m on Business Rates income which is a reduction of £0.159m from the November position. This is largely due to:

- an increase in the gross charge on rateable properties (-£0.475m);
- an increase in the Budget Statement Relief of £0.525m;
- Other reliefs (including a forecasting adjustment) being lower than estimated at -£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.

6.2 As at the end of December, expenditure of £11.052m (39.2%) has been incurred within the approved Capital Programme.

6.3 As part of the monthly review project managers are now stating that £22.651m will be spent by year end. This would result in an under spend on the year of £5.508m on the whole programme with an overall delivery rate of 80.4%. This is summarised below as follows:-

2017/18 Full Year Budget	Actual Expenditure as at December 2017	Forecast Actual Expenditure	Full Year Budget Variance
£m	£m	£m	£m
<b>28.159</b>	<b>11.052</b>	<b>22.651</b>	<b>5.508</b>

6.4 In order to achieve the revised forecast of £22.651m, expenditure of £11.599m will need to be incurred between now and the end of the year (within the last 3 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**

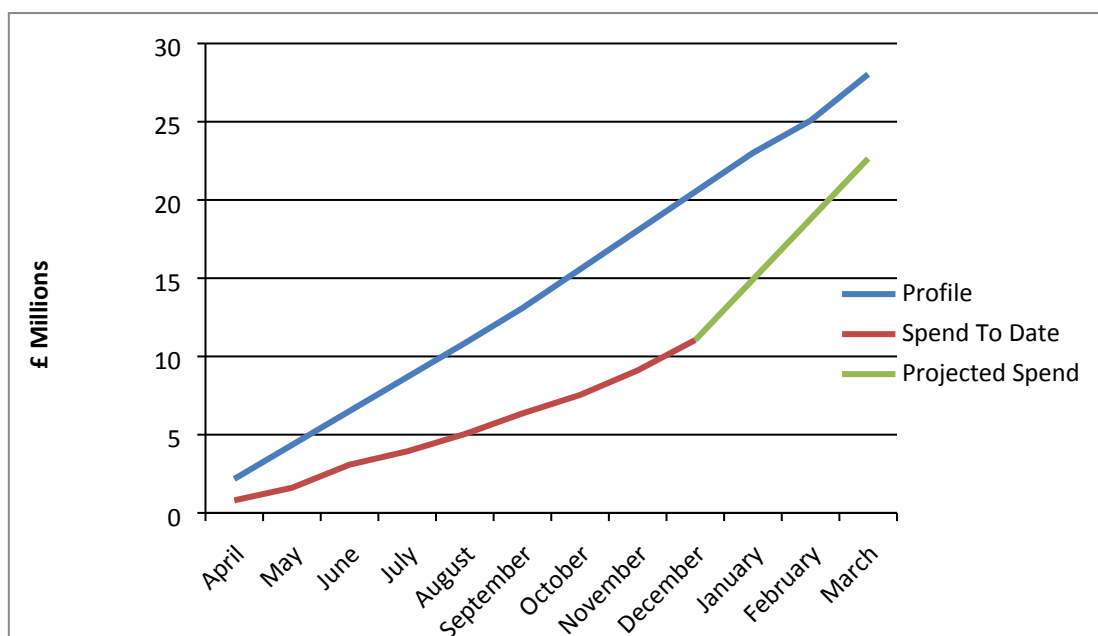
It can be seen from the current forecast position that approximately £5.508m of expenditure will not be delivered in the current year. The key variations to this forecast are as follows:-

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.
Better Care Fund Allocation Balance / Disabled Facilities Grants	1.468	A request will be made to re-phase this budget that will be used for wider social care capital projects.
Crosby Library	0.345	Funding requested to be carried forward
Southport Pier	0.312	A request to re-phase will be made due to reassessment of work progress.
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.
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.
Adult Social Care IT Infrastructure	0.161	A request to re-phase this budget will be made due to delays in the scheme.
Parks – Tree Planting Programme	0.107	A request will be made to re-phase this budget as work is season led.
Parks – Brookfield and Chaffers Field	0.101	A reassessment is currently being undertaken to reassess project priorities.
<b>Total</b>	<b>4.829</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 December 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>0.388</b>	<b>77.9</b>	<b>0.414</b>	<b>0.084</b>
Previous Year Schemes	0.498	0.388	77.9	0.414	0.084
<b>Locality Services – Commissioned</b>	<b>8.309</b>	<b>3.690</b>	<b>44.4</b>	<b>8.155</b>	<b>0.154</b>
<u>New Schemes 2017/18</u>					
STEP Schemes.					
LTP – New Schemes	0.410	0.110	26.8	0.410	0.000
	1.880	1.792	95.3	1.880	0.000
Previous Year Schemes	6.019	1.788	29.7	5.865	0.154
<b>Locality Services – Provision</b>	<b>2.471</b>	<b>0.220</b>	<b>8.9</b>	<b>0.843</b>	<b>1.628</b>
Previous Year Schemes	2.471	0.220	8.9	0.843	1.628
<b>Regeneration and Housing</b>	<b>1.287</b>	<b>0.874</b>	<b>67.9</b>	<b>1.236</b>	<b>0.051</b>
Previous Year Schemes	1.287	0.874	67.9	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>0.291</b>	<b>22.9</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	0.281	80.5	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	0.010	1.3	0.333	0.439
<b>Adult Social Care</b>	<b>2.539</b>	<b>0.620</b>	<b>24.4</b>	<b>0.998</b>	<b>1.541</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 Funding	1.618	0.000	0.0	0.350	1.268
Previous Year Schemes	0.881	0.620	70.4	0.648	0.233
<b>Schools and Families</b>	<b>5.292</b>	<b>2.542</b>	<b>48.0</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	0.091	60.7	0.114	0.036
Linacre Primary Refurb Class.	0.170	0.085	50.0	0.170	0.000
Waterloo Primary Fire Alarm.	0.050	0.004	8.0	0.050	0.000
Previous Year Schemes	4.705	2.192	46.6	4.588	0.117
<b>Communities</b>	<b>2.330</b>	<b>0.557</b>	<b>23.9</b>	<b>1.384</b>	<b>0.946</b>
Previous Year Schemes	2.330	0.557	23.9	1.384	0.946
<b>Inward Investment &amp; Employment</b>	<b>1.947</b>	<b>0.573</b>	<b>29.4</b>	<b>1.635</b>	<b>0.312</b>
<u>New Scheme 2017/18</u>					
Southport Pier Refurbishment	1.947	0.573	29.4	1.635	0.312

<b>Total New Schemes 2017/18</b>	<b>6.981</b>	<b>3.106</b>	<b>44.5</b>	<b>5.325</b>	<b>1.656</b>
<b>Total Previous Year Schemes</b>	<b>18.978</b>	<b>6.655</b>	<b>35.1</b>	<b>15.326</b>	<b>3.652</b>
<b>Disabled Facilities Grant</b>	<b>2.200</b>	<b>1.291</b>	<b>58.7</b>	<b>2.000</b>	<b>0.200</b>
<b>Total Capital Programme</b>	<b>28.159</b>	<b>11.052</b>	<b>39.2</b>	<b>22.651</b>	<b>5.508</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 December 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.