

Report to:	Cabinet Council	Date of Meeting:	8 March 2018 19 April 2018
Subject:	Revenue and Capital Budget Plan 2017/18 - 2019/20		
Report of:	Head of Corporate Resources	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

To inform Cabinet of: -

- i) The current forecast revenue outturn position for the Council for 2017/18 as at the end of January. 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 and to request a number of schemes be added.

Recommendation(s):

Cabinet is recommended to:-

- i) Note the forecast deficit outturn position of £2.251m as at the end of January 2018 and the mitigating actions taken, outlined in section 3.7, to deliver a balanced in-year budget;
- 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;
- iv) Agree the current progress in the delivery of the 2017/18 Capital Programme and the forecast outturn position for the year; and
- v) Include additional capital schemes, outlined in section 7, to the Capital Programme.

Council is recommended to:-

- i) Include additional capital schemes, outlined in section 7, 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 January 2018 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 additional schemes 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

The financial position on approved Public Sector Reform savings last month indicate that approximately £1.504m of 2017/18 savings are at risk of not being achieved in the year. Due to anticipated additional net overspends elsewhere within the budget (+£0.747m), an increased deficit position for the year of £2.251m is forecast. A number of mitigating actions have been identified 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 £28.708m. As at the end of January 2018, expenditure of £12.121m has been incurred and a full year outturn of £22.769m is currently forecast.

The report considers additional capital schemes 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 (£2.251m) be realised at the year end, the Authority would have to utilise reserves in order to finance the shortfall. A number of one off mitigating actions have been identified to reduce the deficit.
Legal Implications: None
Equality Implications: 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:
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 (5052/18) and Head of Regulation and Compliance (4336/18) 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 January (Section 6). The approval of a number of schemes for inclusion in the 2017/18 Capital Programme is also sought (see Section 7).

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 January 2018

- 3.1 The forecast outturn position as at the end of January 2018 shows a net overall deficit position of £2.251m (1.11% of the Council's net budget). This forecast highlights an improved position of £0.128m to that reported as at the end of December.

3.2 Within the forecast financial position for January, approximately £1.504m 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 has improved from that reported in December due to savings being achieved through the earlier than expected introduction of a revised Locality Team. Full details of the progress on all Public Sector Reform projects are provided at Appendix A.

3.3 Anticipated net underspends elsewhere within the budget currently total £0.747m.

	Budget	Forecast Outturn	Variance	Position previously reported
	£m	£m	£m	£m
Services				
Strategic Management	3.110	3.123	0.013	0.014
Strategic Support Unit	3.758	3.668	(0.090)	(0.035)
Adult Social Care	87.003	86.552	(0.451)	(0.335)
Children's Social Care	27.225	28.782	1.557	1.264
Communities	10.347	10.178	(0.169)	(0.105)
Corporate Resources	5.365	4.913	(0.452)	(0.334)
Health & Wellbeing	23.380	23.144	(0.236)	(0.185)
Inward Investment and Employment	2.562	2.665	0.103	0.121
Locality Services - Commissioned	18.336	17.935	(0.401)	(0.453)
Locality Services - Provision	9.640	10.855	1.215	1.034
Regeneration and Housing	4.482	4.225	(0.257)	(0.167)
Regulation and Compliance	3.655	3.339	(0.316)	(0.463)
Schools and Families	25.307	25.738	0.431	0.406
Total Service Net Expenditure	224.170	225.117	0.947	0.762
Public Sector Reform Savings not allocated to services	(1.751)	(0.559)	1.192	1.601
Reversal of Capital Charges	(13.376)	(13.376)	0.000	0.000
Council Wide Budgets	(2.483)	(2.371)	0.112	0.016
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	205.434		
Forecast Year-End Deficit			2.251	2.379

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

- **Children's Social Care** – The variation between December to January (£0.293m) is based largely on a continuing increase in care packages and placements for Looked after Children (£0.312m). Numbers of Looked after Children are continuing to increase, and have increased from 474 to 482 between December and January. These budgets continue to be carefully monitored but budget pressures continue to rise.
- **Locality Services Provision** - The overspend this month has increased by £0.180m mainly due to the increased costs of refuse collection including new properties and increased weed removal as requested by Cabinet and Ward Councillors (£0.080m). There is also a delay in implementing the final part of the Security Force staffing review due to long term absences and a salary review being undertaken (£0.100m).
- **Regulation and Compliance** – A reduction of £0.147m in the surplus position has been determined after taking into account revisions in car parking expenses. Additional costs have also been incurred for Coroners Services and Elections with expenditure on both an unforeseen local borough by-election in November and commitments to Electoral Reform Services.
- **Corporate Resources** - The increase in the forecast surplus this month (£0.118m) is largely due to additional savings against staffing budgets due to the postponement of the recruitment to vacant posts, a reduction in forecast expenditure on consultancy within Building Services, additional income which is forecast to be received within the Energy Team, and an additional underspend against the discretionary rate relief budget within Finance. These extra savings are being partially offset by an increase in the forecast shortfall in the recovery of capital fee recharge income.
- **Adults Social Care** – The forecast net surplus has increased by £0.116m. There has been an increase in the forecast surplus for the Specialist Transport Unit based on the latest information supplied on the in-house STU charge to Adult Social Care. Following a revision of forecasts for various supplies and services expenditure a further £0.100m surplus has been identified. Negotiations of contracts and start dates with other bodies (IMCA/NHS) has increased the surplus in this area of the budget (-£0.052m). The net position for the community care budget is an increased deficit of £0.122m. It should be noted that the overall forecast surplus for the year, of £0.451m, assumes that any further net increase in demand or cost pressures 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.

Council's Overall Position

3.5 As stated previously, this report reflects the financial position for the Council ten months into the financial year and as such will be subject to change over the final couple of 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. These issues highlight 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. 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.

- 3.6 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 financial 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 The Strategic Leadership Board was requested to develop a remedial action plan to address these issues and ensure a year end balanced budget. A number of mitigating actions have been identified to produce a balanced budget position. These include additional VAT shelter receipts, Business Rates Income (section 31 Grants and Top-Up Grant Adjustment), and additional Minimum Revenue Position (relating to financing of capital schemes). Should it be required, further work will be undertaken to identify further mitigating actions to reduce the deficit.

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 January 2018 is a reduced surplus of £0.697m, a change of £0.050m from the December position. This variation is primarily due to:-
- Gross Council Tax Charges in 2017/18 being higher than estimated at £0.029m;
 - Council Tax Reduction Scheme discounts being lower than estimated at - £0.026m;
 - Exemptions and Discounts (including a forecasting adjustment) being higher than estimated at £0.056m.
- 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.
- 4.4 A forecast surplus of £0.871m was declared on the 15th January 2018 of which Sefton's share is £0.747m (85.8%). This is the amount that will be distributed from the Collection Fund in 2018/19. Any additional surplus or deficit will be distributed in 2019/20.

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 January 2018 is a surplus of £3.300m on Business Rates income which is a change of £3.586m from the December deficit position. This is largely due to:
- an amount of -£3.702m released from the appeals provision;
 - a reduction in the gross charge on rateable properties (+£0.321m);
 - a reduction in the Budget Statement Relief of -£0.105m;
 - Other reliefs (including a forecasting adjustment) being lower than estimated at -£0.100m.
- 5.4 Due to Collection Fund regulations, the Business Rates surplus will not be transferred to the General Fund in 2017/18 but will be carried forward to be recovered in future years.
- 5.5 A forecast surplus of -£3.398m was declared on the 31st January 2018. Sefton's share of this is -£3,971m which is made up of an amount brought forward from 2016/17 (+£0.595m) and the impact of variations in 2017/18 (-£4.566m). This is the amount that will be distributed from the Collection Fund in 2018/19 and any additional surplus or deficit will be distributed in 2019/20.

6. Capital Programme 2017/18

- 6.1 The approved capital budget for 2017/18 is £28.708m.
- 6.2 As at the end of January, expenditure of £12.121m (42.2%) has been incurred within the approved Capital Programme.
- 6.3 As part of the monthly review project managers are now stating that £22.769m will be spent by year end. This would result in an under spend on the year of £5.939m on the whole programme with an overall delivery rate of 79.3%. This is summarised below as follows:-

2017/18 Full Year Budget	Actual Expenditure as at January 2018	Forecast Actual Expenditure	Full Year Budget Variance
£m	£m	£m	£m
28.708	12.121	22.769	5.939

6.4 In order to achieve the revised forecast of £22.769m, expenditure of £10.648m will need to be incurred between now and the end of the year. 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 few months of the year.

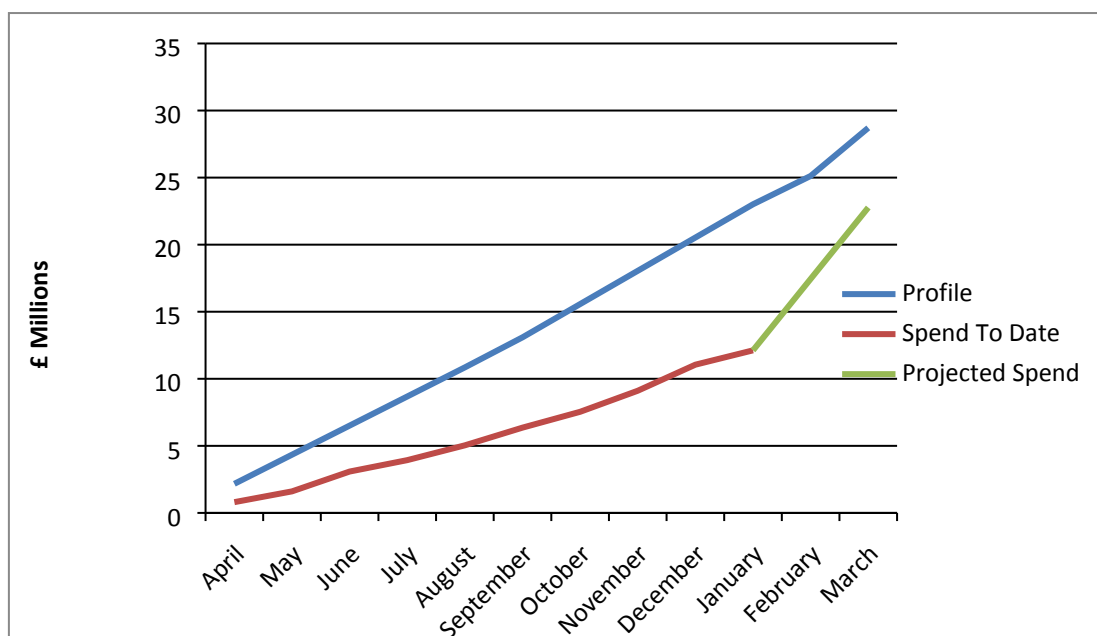
6.5 Key Variations on Overall Programme

It can be seen from the current forecast position that approximately £5.939m of expenditure will not be delivered in the current year. The key variations to this forecast are as follows:-

Scheme	Key Variation £'m	Funding Source	Explanation
Potential Overspends Identified (key items)			
M58 Junction 1 Improvements	-0.260	Liverpool Growth Fund Grant /LTP resource	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	1.633	Borrowing	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 Grant	1.400	Better Care Fund Grant	A request will be made to re-phase this budget that will be used for wider social care capital projects.
Crosby Library	0.345	Non Ring fenced resource	Funding requested to be carried forward
Southport Pier	0.312	Specific Grant	A request to re-phase will be made due to reassessment of work progress.
Flood Defence – CERMS 2016/21	0.300	Specific Grant	A request will be made to re phase this budget as the

Sefton			required surveys to support the project have been delayed due to difficulties in capturing the required information.
Norwood Primary School Remodelling	0.251	Non Ring Fenced Resource	A request to re-phase this budget will be made due to delays in the scheme.
Crosby Lakeside – High Ropes	0.244	Invest to Save Borrowing	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	Borrowing	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	0.159	Specific Grant	A request to re-phase this budget will be made due to delays in the scheme.
Parks – Tree Planting Programme	0.107	Section 106	A request will be made to re-phase this budget as work is season led.
Parks – Brookfield and Chaffers Field	0.101	Section 106	A reassessment is currently being undertaken to reassess project priorities.
Total	5.033		

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 January 2018 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
Corporate Resources	0.498	0.390	78.3	0.411	0.087
Previous Year Schemes	0.498	0.390	78.3	0.411	0.087
Locality Services – Commissioned	8.309	4.031	48.5	7.951	0.358
<u>New Schemes 2017/18</u>					
STEP Schemes.	0.410	0.110	26.8	0.410	0.000
LTP – New Schemes	1.880	1.792	95.3	1.880	0.000
Previous Year Schemes	6.019	2.129	35.4	5.661	0.358
Locality Services – Provision	2.471	0.260	10.5	0.826	1.645
Previous Year Schemes	2.471	0.260	10.5	0.826	1.645
Regeneration and Housing	1.287	0.960	74.6	1.237	0.050
Previous Year Schemes	1.287	0.960	74.6	1.237	0.050
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	0.373	29.3	0.832	0.439
<u>New Schemes 2017/18</u>					
Renovation of Changing Facilities at Bootle and Dunes.	0.349	0.302	86.5	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	0.071	9.2	0.333	0.439
Adult Social Care	2.984	0.620	20.8	1.513	1.471
<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	2.063	0.000	0.0	0.865	1.198
Previous Year Schemes	0.881	0.620	70.4	0.648	0.233
Schools and Families	5.292	2.660	50.3	4.861	0.431
<u>New Schemes 2017/18</u>					
Great Crosby Primary Phase 3 increase half a form.	0.217	0.173	79.7	0.217	0.000
Linaker Primary Temp Class.	0.150	0.091	60.7	0.114	0.036
Linacre Primary Refurb Class.	0.170	0.092	54.1	0.170	0.000
Waterloo Primary Fire Alarm.	0.050	0.055	110.0	0.050	0.000
Previous Year Schemes	4.705	2.249	47.8	4.310	0.395
Communities	2.434	0.562	23.1	1.488	0.946
Previous Year Schemes	2.434	0.562	23.1	1.488	0.946
Inward Investment & Employment	1.947	0.817	42.0	1.635	0.312
<u>New Scheme</u>					

2017/18 Southport Pier Refurbishment	1.947	0.817	42.0	1.635	0.312
Total New Schemes 2017/18	7.426	3.432	46.2	5.840	1.586
Total Previous Year Schemes	19.082	7.247	38.0	14.929	4.153
Disabled Facilities Grant	2.200	1.442	65.5	2.000	0.200
Total Capital Programme	28.708	12.121	42.2	22.769	5.939

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

In addition to the in-year variations above, there are a number of Neighbourhood schemes that have been completed. A full review of these has been undertaken, and as a result, there are surplus balances available and these will be used to support the works at Ovington Drive (Kew) and Smithy Green (Formby) to the value of £0.030m and £0.025m respectively.

6.8 Financing of the 2017/18 Capital Programme

	Budget
	£m
Government Grants*	21.624
Borrowing	3.185
S106	1.988
Contribution	1.885
Capital Receipt	0.026
TOTAL	28.708

*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 January 2018 £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.

7. Further additions to the Capital Programme.

At Budget Council in March 2018, Members approved the capital programme for 2018/19. In addition to those elements of the core programme the following additional schemes have been identified that will require council approval.

Disabled Facilities Grant

£2.2m from the Better Care Fund grant to cover the anticipated cost of the Disabled Facility Grants Programme to enable adaptations to people's homes.

Community Equipment Store

£0.463 from the Better Care Fund grant to cover the cost of equipment supplied to adults and children.

SALIX Finance for Schools

£0.500m per annum for energy saving projects within schools. This is funded by the Department for Education through interest free loans with a 5 year payback.

RetroFIT for the FUTURE

The council is the accountable body for this project which is fully externally funded mainly through the ESIF (European Structural Investment Fund) and 4 Registered Housing Providers. The total cost of the capital part of the scheme is £7.503m and will deliver low carbon retrofit of homes.

S106 – Sudell Ward

Approval is requested to include £0.020m section 106 monies in the Capital Programme relating to works for grass crete on Deyes Lane Maghull.