

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	6 September 2018
<b>Subject:</b>	Mid-Year Review 2018/19 and Medium Term Financial Plan Update 2019/20 onwards (incorporating the Revenue and Capital Budget Update 2018/19)		
<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>	No	<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 2018/19 following the Mid-Year Review;
- ii) The current forecast budget gap for 2019/20 following the Mid-Year Review and the actions required to ensure a balanced budget can be set early in 2019;
- iii) An initial view on the potential budget gap for 2020/21 and factors that might have a significant impact on this budget gap;
- iv) The current forecast on Council Tax and Business Rates collection for 2018/19; and,
- v) The current position of the Capital Programme.

### **Recommendations:**

**Cabinet** is recommended to: -

- i) Review and consider the forecast deficit revenue outturn position for 2018/19 following the Mid-Year Review (including the achievement of approved Public Sector Reform savings) and the proposed actions to mitigate this deficit;
- ii) Review and consider the forecast budget gap for 2019/20 following the Mid-Year Review and the proposed approach to identifying proposals to meet this budget gap;
- iii) Note the potential budget gap for 2020/21 and the factors that could have a significant impact on this budget gap;
- iv) Note the forecast position on the collection of Council Tax and Business Rates for 2018/19;
- v) Note the current progress in the delivery of the 2018/19 Capital Programme.

**Reasons for the Recommendation(s):**

In March 2017 Council approved a three-year budget plan to March 2020. The final two years of this plan were revised in March 2018 as part of the process of setting the 2018/19 budget. As the Council is nearly half way through the second year of this budget plan it remains confident, that its continued strategic approach to budget planning alongside good financial management and extensive community engagement, means that the plan continues to develop on solid foundations, remains flexible and will secure the future sustainability to 2020 and beyond. However, in year demand for social care services is currently resulting in the costs for these services exceeding the budget. Corrective action will be required to bring the overall budget into balance.

The recommendations in this report starts to provide the basis on which the budget plan would be balanced for the financial year 2019/20 and will ensure that the Council's statutory obligations are met.

To ensure Cabinet are informed of the forecast outturn position for the 2018/19 revenue and capital budgets as at the end of July 2018 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)**

N/A

**What will it cost and how will it be financed?****(A) Revenue Costs**

The report indicates that for 2018/19 there is currently a forecast deficit of £9.450m which can partially be met through the use of approximately £6.500m of mitigating, one-off, actions.

A budget gap of £10.092m is currently forecast for 2019/2020. Saving option proposals, which are both robust and sustainable, will be developed for consideration by Members in order to enable a balanced budget to be set for 2019/20.

**(B) Capital Costs**

The Councils capital budget in 2018/19 is £35.985m. As at the end of July 2018, expenditure of £4.456m has been incurred and a full year outturn of £32.009m is currently forecast.

**Implications of the Proposals:**

The following implications of this proposal have been considered and where there are specific implications, these are set out as follows:

**Resource Implications (Financial, IT, Staffing and Assets):**

Should a deficit position for 2018/19 occur at the year end, the Authority would have no option but to utilise reserves in order to finance this shortfall.

**Legal Implications:**

None

**Equality Implications:**

None

**Contribution to the Council's Core Purpose:**

Effective Financial Management and the development and delivery of sustainable annual budgets support each theme of the Councils Core Purpose.

**Protect the most vulnerable:**

N/A

**Facilitate confident and resilient communities:**

N/A

**Commission, broker and provide core services:**

N/A

**Place – leadership and influencer:**

N/A

**Drivers of change and reform:**

N/A

**Facilitate sustainable economic prosperity:**

N/A

**Greater income for social investment:**

N/A

**Cleaner Greener:**

N/A

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

**(B) Internal Consultations**

The Head of Corporate Resources is the author of the report (FD 5264/18)

The Head of Regulation and Compliance has been consulted and any comments have been incorporated into the report (LD 4488/18).

**(B) External Consultations**

N/A

**Implementation Date for the Decision**

Following the expiry of the "call-in" period for Minutes of the Cabinet Meeting

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**Appendices:**

There are no appendices to this report

**Background Papers:**

There are no background papers for inspection

## 1. **Introduction**

- 1.1 In March 2017 Council approved a three-year budget plan to March 2020. The final two years of this plan were revised in March 2018 as part of the process of the Council setting the 2018/19 budget. The March 2018 report outlined that due to the financial pressures being faced by the Council a mid-year review would be undertaken. This report outlines the initial results of that review and the implications for the forecast revenue outturn position for 2018/19.
- 1.2 Following on from the review, this report also provides an update on the Medium Term Financial Plan (MTFP) for 2019/20 and also the development of the MTFP for 2020/21 and beyond.
- 1.3 The report also outlines the current position regarding key income streams for the Authority, namely Council Tax and Business Rates. Variations against expected receipts in these two areas will also affect the Council's financial position in future years.
- 1.4 An updated position regarding the 2018/19 Capital Programme is also provided as at the end of July.

## 2 **Mid-Year Review**

- 2.1 The March 2018 Budget Report outlined that the 2018/19 budget had been balanced and that a residual funding gap of £3.792m remained for 2019/20 (before any Council Tax decision). This budget gap could be met by increasing Council Tax by 2.99% (the maximum allowed under the regulations currently in place).
- 2.2 Members need to consider however, that in the absence of any long-term solutions being available in respect of Social Care and the continued Government austerity programme that is in place, there continues to be extreme financial pressure being placed upon the Council to deliver the large savings package proposed. As such, as with all local authorities, there is inherent risk within the budget package that will need to be managed. As such, rigorous monitoring and risk management of the 2018/19 budget has continued to take place and a comprehensive mid-year review exercise has been undertaken (as at end of July 2018) in order to support this, and provide Members with visibility on these key issues that could affect the overall financial performance of the Council during 2018/19 and the following financial year in particular. Some of the key risks that will need to be managed include: -
  - Progress in delivering PSR savings and in particular the £5.1m in respect of Early Intervention and Prevention- Locality Working during 2018/19;
  - The capacity of Members and senior staff to meet such a challenging programme of work in a manner that protects the most vulnerable whilst maintaining business continuity;
  - The inherent and ever-increasing demand based pressure in Children's and Adults Social Care; and
  - The potential for Adults Social Care provider fee increases to be greater than the budgetary provision.

## **Scope**

2.3 The Mid-Year Review (MYR) set out to:

- Review the 2018/2019 Budget, the forecast outturn against this budget and the delivery of savings.
- Review the Chart of Accounts and structure of the budget.
- Review accountability and the alignment of the budget to key cost drivers.
- Identify areas of improvement, inefficiency and opportunities for savings.

2.4 The initial outcomes of the Mid-Year Review are summarised in Sections 2.5 to 2.7 below.

## **Financial Outcomes of the Mid-Year Review**

2.5 As was forecast in the March 2018 Budget Report, the MYR has highlighted significant pressures in a number of service areas, particularly Adult and Children's Social Care, Locality Services – Provision and Home to School Transport. Whilst there are some forecast underspends within other services, the net forecast overspend is £6.068m as shown in the table below:

	<b>Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b><u>Services</u></b>			
Strategic Management	3.049	3.049	0.000
Strategic Support Unit	4.006	3.993	(0.013)
Adult Social Care	94.369	95.453	1.084
Children's Social Care	28.137	31.653	3.516
Communities	8.255	8.194	(0.061)
Corporate Resources	5.116	4.613	(0.503)
Health & Wellbeing	22.541	22.157	(0.384)
Inward Investment and Employment	2.447	2.485	0.038
Locality Services - Commissioned	20.071	20.071	0.000
Locality Services - Provision	10.536	11.614	1.078
Regeneration and Housing	4.757	4.589	(0.168)
Regulation and Compliance	3.783	3.640	(0.143)
Schools and Families	23.097	24.436	1.339
<b>Total Service Net Expenditure</b>	<b>230.164</b>	<b>235.947</b>	<b>5.783</b>
Public Sector Reform Savings not allocated to services	(4.511)	(4.511)	0.000 <b>(see para 2.6)</b>
Reversal of Capital Charges	(13.353)	(13.353)	0
Council Wide Budgets	10.918	11.203	0.285
Levies	33.255	33.255	0
General Government Grants	(34.194)	(34.194)	0
<b>Total Net Expenditure</b>	<b>222.279</b>	<b>228.347</b>	
<b>Forecast Year-End Deficit</b>			<b>6.068</b>

2.6 The key variations on the Base Budget are as follows: -

- Children's Social Care is forecasting a year-end deficit of £3.516m. Children's Placements and Package costs continue to rise with growing numbers of Looked After Children, and despite being partially offset by some received and potential CCG funding towards care costs (£0.500m), these budgets are forecast to overspend by £3.563m. In addition to the number of Looked After Children increasing, the level of support is also increasing, with the number of residential placements rising by nearly 50% in the last year. This has a significant impact on overall costs. Other overspending pressure relates to the Legal costs of handling Children's Social Care cases at Court, which is forecast to overspend by as much as £0.111m due to rising costs of representation and increasing caseloads through the Courts. Other areas of the budget however, are forecast to underspend, mostly as a result of vacancy turnover across the Social Work teams (£0.158m).
- The Adult Social Care budget is forecast to be in deficit by £1.084m based on the July forecast. This is mainly due to pressure on the Community Care budget £2.3m offset by forecast surpluses on employees (£0.445m), Specialist Transport (£0.600m) and assumed capitalisation of equipment (£0.300m). The forecast assumes there will be no further increase in demand or cost pressures, on the Community Care budget between July and the end of the financial year.
- The Schools and Families service is forecasting a deficit year end position of £1.339m. The major Service variances include a single complex CWD Case within Family Support overspending £0.110m and Home to School Transport with a forecast overspending of £1.265m. There is some underspending on SEN teams mostly through vacancy savings (£0.035m).
- Localities Services - Provision is currently forecasting to overspend by £1.078m, which is a reduction of £0.893m when compared to 2017/18 outturn position. This overspend is mainly due to Sefton Arc £0.400m with insufficient income currently being generated to cover the costs of the operation; Cleansing £0.400m due to costs of new bins and services for new properties (this is a forecast reduction in the 2017/18 outturn overspend (£0.806m) following a restructure of the Cleansing Service); and Burials £0.350m due to a reduction in the number of cremations following the opening of a private cremation facility in Burscough. Surpluses on the Catering service of £0.172m will reduce the overall deficit.
- The Corporate Resources budget is identifying a forecast surplus of £0.503m. The forecast surplus consists of variations across a number of budget areas, but it is largely due to posts being held vacant across all areas of Corporate Resources with a view to continuing to make savings against salaries budgets in 2018/19.
- The Health and Wellbeing forecast underspend is made up of £0.138m vacancy savings within Public Health and £0.246m estimated underspend due to the receipt of NNDR refunds within the Sports Service. It is assumed that sports income will be on target.

2.7 In addition, the 2018/19 Budget included £10.227m of savings from PSR projects. Current forecasts are that £6.845m of savings will be deliverable in the year (67%) with £9.568m in total forecast to be deliverable in 2019/20 (94%). It is forecast that £0.659m of the savings will ultimately not be delivered (6%). An analysis of the overall savings for 2018/19 are shown in the summary below:

	<b>Total Saving 2018/19</b>	<b>Will be delivered</b>	<b>Phasing Issue</b>	<b>Won't be delivered</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
PSR1 - Acute Wrap Around	0.275	0.033	0.242	0.000
PSR2 – Locality Teams	5.100	2.894	2.206	0.000
PSR2 - Personalisation	1.000	0.835	0.165	0.000
PSR4 - All Age Pathway	0.415	0.121	0.000	0.294
PSR4 - Home to School Transport	0.365	0.000	0.000	0.365
PSR5 – An Excellent Education for All	0.319	0.319	0.000	0.000
PSR6 - Tourism	0.110	0.000	0.110	0.000
PSR6 - Other	0.748	0.748	0.000	0.000
PSR7 – Environment & Pride of Place	0.695	0.695	0.000	0.000
PSR8 – Asset Maximisation	0.450	0.450	0.000	0.000
PSR9 – ICT & Digital Inclusion	0.300	0.300	0.000	0.000
PSR10 - Commissioning	0.450	0.450	0.000	0.000
<b>Total Budget Pressure</b>	<b>10.227</b>	<b>6.845</b>	<b>2.723</b>	<b>0.659</b>

2.8 The Council's overall forecast outturn position, before remedial action, is shown below:

	<b>£m</b>
2018/2019 Forecast Outturn	6.068
PSR - Unachievable 2018/2019	0.659
<b>Ongoing Budget Pressures</b>	<b>6.727</b>
PSR - Phasing 2018/2019	2.723
<b>Total Forecast Budget Gap 2018/19</b>	<b>9.450</b>

#### **Options to close the residual gap in 2018/19**

2.9 The aim of the Mid-Year Review was to give Members and Officers an early indication of the financial position of the Council given the substantial additional pressures being faced, particularly within social care. Officers have identified a number of one-off measures that will realise £6.5m of resources to partially bridge the Budget Gap in 2018/19. These include utilising the underspend from 2017/2018



(as reported to Cabinet on 26 July 2018), utilising the Adult Social Care Support Grant allocation announced by the Government late in the budget process and the impact of the change in VAT liability of certain leisure fees and charges being introduced earlier than previously anticipated.

- 2.10 Additional work is required to substantiate the financial position and to what degree the identified pressures are ongoing and will therefore have an impact on 2019/20. Even with the identification of £6.5m of one-off measures, the Council would still need to identify £3.0m of savings in order that a balanced budget position can be achieved. These savings need to be found despite an already challenging budget position so difficult decisions will be required. Members will be fully involved in the process and proposals will be presented to Cabinet later in the year for formal consideration by Members.

### **3 Medium Term Financial Plan Update 2019/20**

- 3.1 The 2019/20 Budget Plan approved at Budget Council in March 2018 had a residual budget gap of £3.792m before any increase in Council Tax. The report outlined that this residual budget gap could be met by increasing Council Tax by 2.99%. This is the maximum allowed under the regulations currently in place as the Council increased Council Tax for the Adult Social Care Precept by 3.00% in both 2017/18 and 2018/19. The maximum increase allowed for the Adult Social Care Precept was 6.00% across the three years 2017/18, 2018/19 and 2019/20. Therefore, in relation to the Adult Social Care Precept, the Council will be unable to increase Council Tax in 2019/2020 under the regulations currently in place.
- 3.2 The Government funding assumed in setting the 2019/20 Budget Plan is based on the allocations contained in the final year of the four-year settlement covering 2016/17 to 2019/20. Sefton, in line with the vast majority of local authorities, accepted this settlement to allow greater funding certainty. It is therefore not currently anticipated that the level of funding will change.
- 3.3 However, there has been significant national coverage of the pressures on health and social care and the impact this is having on the NHS and local authorities. Extensive lobbying in previous years has resulted in some additional short-term resources, specifically for adult social care. In 2018/2019 the Government announced an additional £150m in Adult Social Care Support Grant of which Sefton's allocation was £0.953m. Some additional funding for adult social care may possibly be made available again in 2019/20. Sefton will continue to lobby the Government, for additional resources to be made available, both individually and collectively with the other authorities in the Liverpool City Region. This will include lobbying for additional funding to support children's social care pressures.
- 3.4 The financial pressures outlined in paragraph 2.4 are expected to continue in 2019/20. Officers will continue to review all services, particularly in relation to those services where significant demand pressures exist. However, the current assumption is that these pressures will remain and continue into 2019/20, with a risk that the costs of such pressures could continue to increase.
- 3.5 In addition to the PSR Projects considered permanently unachievable from 2018/19, the 2018/19 Budget included a further £11.072m of savings from PSR projects. Current forecasts are that £7.707m of savings will be deliverable in the year (70%).

It is forecast that £3.365m of the savings will ultimately not be delivered (30%). An analysis of the overall savings for 2019/20 are shown in the summary below:

	<b>Total Saving 2018/19</b>	<b>Will be delivered</b>	<b>Phasing Issue</b>	<b>Won't be delivered</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
PSR1 – LAC Reform	0.539	0.000	0.000	0.539
PSR2 – Locality Teams	1.250	1.250	0.000	0.000
PSR2 - Personalisation	1.700	1.700	0.000	0.000
PSR4 - All Age Pathway	0.300	0.089	0.000	0.211
PSR4 - Home to School Transport	0.365	0.000	0.000	0.365
PSR6 - All	0.295	0.295	0.000	0.000
PSR8 – Asset Maximisation	1.512	0.512	0.000	1.000
PSR9 – ICT & Digital Inclusion	3.439	3.439	0.000	0.000
PSR10 - Commissioning	1.672	0.422	0.000	1.250
<b>Total Budget Pressure</b>	<b>11.072</b>	<b>7.707</b>	<b>0.000</b>	<b>3.365</b>

3.6 The Council's overall forecast outturn position for 2019/20, before remedial action, is shown below:

	<b>2019/20</b>
	<b>£m</b>
2018/2019 Forecast Outturn	6.068
PSR - Unachievable 2018/2019	0.659
PSR - Unachievable 2019/2020	3.365
<b>Total Forecast Budget Gap 2019/20</b>	<b>10.092</b>

### **Options to reduce the residual gap in 2019/20**

3.7 The Council has a stated objective to maintain financial stability. In order to best achieve this multi-year budgets have been set as this provides more effective medium-term financial planning as well as the flexibility to make adjustments as different pressures arise. As a result of this Sefton has delivered effective financial management throughout the period of austerity. Therefore, the Council is well placed to take actions that will enable a balanced and robust budget to be set, although identifying solutions of this scale will inevitably involve difficult choices where these choices are often unreconcilable. Sefton has consistently set budgets that have been based mainly on ongoing and sustainable savings with only a limited reliance on one-off or temporary solutions. National media coverage has highlighted a number of local authorities who have not adopted a similar approach and have therefore been forced to undertake emergency measures.

- 3.8 In light of the forecast budget variation work will need to commence to identify further ongoing and sustainable saving options that can be implemented to meet the residual budget gap in 2019/20. Members will be fully involved in the process and proposals will be presented to Cabinet later in the year for formal consideration by Members. It has been a feature of this Council's approach to financial management that all saving included in agreed budgets are robust and should be supported by delivery plans. All savings options proposed will therefore be supported by a delivery plan to ensure that the savings are achievable.

#### **4 Development of the Medium Term Financial Plan for 2020/21 and beyond**

- 4.1 The Budget Report considered by Cabinet in March 2018 indicated that an initial forecast of the budget gap for 2020/2021 was £13m. This is still considered to be the Council's best estimate and includes the following assumptions:

- a) A reduction in general Government funding for the Council in line with 2019/20;
- b) Reductions in some specific Government grants (Public Health Grant and New Homes Bonus Funding).
- c) Resources to fund pay awards, increases in the pension future service rate, specific contracts and potential price increases from care providers.
- d) No increases in costs relating to demand led services.
- e) No increases in Council Tax.

- 4.2 However, at this stage there is significant uncertainty around future funding levels in 2020/21 and beyond as well as other issues that could have an impact on the future funding gap. Sefton will continue to respond to any consultations on these issues, both individually and collectively with the other authorities in the Liverpool City Region, to try to influence the impact of any funding changes. Consultation responses will continue to be shared with the Cabinet Member or full Cabinet if appropriate. The issues include:

##### Spending Review 2019:

- 4.3 The current Spending Review Period ends in 2019/20. The total Government Spending envelope for 2020 and beyond is expected to be announced in the Chancellor's Autumn Budget Statement in November 2018. The distribution of this funding between Government Department's will be published in the Spending Review in 2019. This will include the amount available to support local authority spending.

- 4.4 In his Spring Statement in March 2018, the Chancellor said that if the public finances continue to improve, he may then be in a position to begin increasing funding for public services. However, the Prime Minister has already promised an additional £20bn to fund the NHS by 2023, so there may be a need for continued real-terms funding cuts in other Departments if the level of national taxation is not increased.

##### Fair Funding Review:

- 4.5 The Government is currently undertaking a funding review to determine the means of allocating funding across local authorities from 2020/21 onwards. Funding allocations for local authorities, as determined in the local government finance settlement, are based on an assessment of local authorities' relative needs and resources. The methodology behind the relative needs assessment was introduced

over ten years ago, and data used in the formulae has not been updated since the introduction of the 50% business rates retention system in 2013/14.

- 4.6 The Government wants to introduce a simpler and more transparent methodology reflecting a small number of cost drivers. One key cost driver, as previously, will be population. Sefton's relative population has declined compared to England as a whole since the methodology was last updated. Therefore, this element is likely to have a negative impact on the Council's overall funding position.
- 4.7 The Government will continue to consult with local authorities between now and mid-2019 as well be influenced by discussions within a number of joint working groups between the Ministry of Housing, Communities and Local Government and the Local Government Association. Sefton will again continue to respond to any consultations to try to influence the final methodology.

Business Rates Retention:

- 4.8 Sefton's Business Rates baseline was last set in 2013/14. Sefton's retained rates income is forecast to be above its funding baseline for 2019/20, so the Council is expecting to achieve a gain from Business Rate retention. As part of the Liverpool City Region 100% Business Rates Pilot Agreement the Council has retained a 99% share of growth in Business Rates since April 2017.
- 4.9 As part of the Fair Funding Review Business Rates baseline will be re-assessed and changed from 2020/21. Therefore, the benefit of these gains is expected to be lost going forward.
- 4.10 Also, nationally the proportion of Business Rates retained by local authorities will increase from 50% to 75%. It is expected that pilot authorities will also move to 75% retention so a lower proportion (74%) of any future growth will be retained by the Council.
- 4.11 The move from using the Retail Price Index to the Consumer Price Index in setting the annual increase in Business Rates is expected to reduce the level of potential increases in retained Business Rates from 2020/21 onwards. In addition, there are a number of other potential changes to the Business Rates system, including the next Business Rates Revaluation in 2021, that could have a significant impact on the amount of income retained by the Council.
- 4.12 Business Rates income can be very volatile. If the local business economy falters due to local, national, or international influences then reductions in rateable value as well as increases in the level of Business Rate Relief (e.g. empty property relief) would reduce the level of Business Rates income retained over the planning period.

New Homes Bonus:

- 4.13 The Government has recently reduced the number of years over which the annual allocations of New Homes Bonus will be paid as well as introducing a national growth threshold of 0.4%. It is unlikely that Sefton will achieve the level of housing growth required to receive a NHB allocation for housing growth in 2020/21. The residual amount of NHB received by Sefton in 2020/21 and beyond is expected to be significantly less than in previous years. The Government have indicated that they will revisit the operation of the New Homes Bonus in 2020/21 in order to explore how to incentivise housing growth most effectively.

#### Funding for Social Care:

- 4.14 As mentioned in paragraph 3.3., there has been significant national coverage of the pressures on health and social care and the impact this is having on the NHS and local authorities. The Local Government Association estimates that there will be a £3.5bn shortfall just in Adult Social Care funding by 2025. In June 2018, the Prime Minister set out a five-year NHS funding plan which will result in significant real terms increases in each of the next five years, with a priority to better integrate health and social care. There is also a commitment for the Government to come forward with proposals to reform social care. These proposals are expected later in 2018, although the publication of a green paper on social care has been delayed several times. These proposals may have an impact on the costs to be met by local authorities on adult social care.
- 4.15 The Local Government Association has recently published its own “green paper” on adult social care which it is currently consulting on. It seeks to lay the ground to secure both immediate and long-term funding for social care. The LGA intends to reflect on the consultation findings in a further publication later in the autumn, in time to influence the Government’s plans; not just their green paper, but also the Budget, the NHS Plan and the Spending Review.

#### Brexit

- 4.16 The impact of Brexit on the overall level of public finances and therefore the potential impact on Local Government finances is unknown. There is also the issue of funding streams that previously came from the European Union and how these will be replaced following Brexit.

#### External Local Factors

- 4.17 In addition, there are a number of external local factors that could have a significant impact on the position in 2020/21, including levies from the Liverpool City Region Combined Authority (for Transport) and the Merseyside Recycling and Waste Disposal Authority as well as the payments required to be made to the Merseyside Pension Fund.
- 4.18 As mentioned in paragraph 4.1, there is expected to be a significant budget gap in 2020/21. It is also expected that this will continue into future years. As part of the exercise to identify savings options for 2019/20, officers will also consider budget proposals that will impact on 2020/21 and beyond. The early identification of proposals should enable savings to be implemented by the start of 2020/21, avoiding the need for utilising one-off resources to support the phasing of these options. These options will need to align with the Council’s Framework for Change programme and support Sefton’s 2030 Vision.

## **5 Council Tax Income – Update**

- 5.1 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 £127.485m for 2018/19 (including Parish Precepts), which represents 85.8% of the net Council Tax income of £148.595m.

5.2 The forecast outturn for the Council at the end of July 2018 is a surplus of -£0.445m. This variation is primarily due to: -

- The surplus on the fund at the end of 2017/18 being higher than estimated at - £0.005m;
- Gross Council Tax Charges in 2018/19 being lower than estimated at +£0.008m;
- Council Tax Reduction Scheme discounts being lower than estimated at - £0.612m;
- Exemptions and Discounts (including a forecasting adjustment) being higher than estimated at +£0.164m.

5.3 Due to Collection Fund regulations, the Council Tax surplus will not be transferred to the General Fund in 2018/19 but will be carried forward to be distributed in future years.

## **6 Business Rates Income – Update**

6.1 Since 1 April 2017, Business Rates income has been shared between the Council (99%) and the Fire and Rescue Authority (1%). The Council's Budget included retained Business Rates income of £66.449m for 2018/19, which represents 99% of the net Business Rates income of £67.120m. Business Rates income has historically been very volatile making it difficult to forecast accurately.

6.2 The forecast outturn for the Council at the end of July 2018 is a surplus of -£1.334m on Business Rates income. This is due to:

- The surplus on the fund at the end of 2017/18 being higher than estimated - £2.169m;
- Increase in the gross charge on rateable properties (-£0.119m)
- Other reliefs (including a forecasting adjustment) being higher than estimated in 2018/19 at +£0.954m.

6.3 Due to Collection Fund regulations, the Business Rates deficit will not be transferred to the General Fund in 2018/19 but will be carried forward to be recovered in future years.

## **7 Capital Programme 2018/19**

7.1 The approved capital budget for 2018/19 is £35.985m.

7.2 As at the end of July, expenditure of £4.456m (12.4%) has been incurred within the approved Capital Programme.

7.3 As part of the monthly review project managers are now stating that £32.009m will be spent by year end. This would result in an under spend on the year of £3.976m on the whole programme with an overall delivery rate of 89%. This is summarised below as follows: -

2018/19 Full Year Budget	Actual Expenditure as at July 2018	Forecast Actual Expenditure	Full Year Budget Variance
£m	£m	£m	£m
<b>35.985</b>	<b>4.456</b>	<b>32.009</b>	<b>3.976</b>

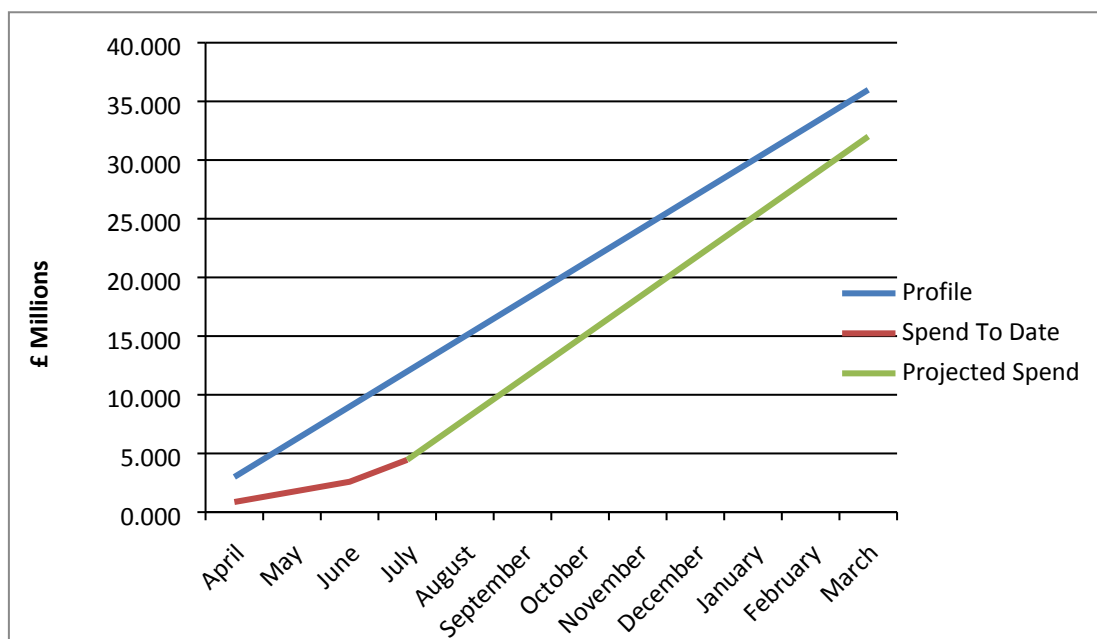
7.4 In order to achieve the revised forecast of £32.009m, expenditure of £27.553m will need to be incurred between now and the end of the year.

7.5 Key Variations on Overall Programme

It can be seen from the current forecast position that approximately £3.976m 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
<b>Funding No Longer Required (key items)</b>			
Crosby Lakeside – High Ropes Course	0.271	Prudential borrowing £0.171m and £0.100m Sport England	No longer considered a financially viable scheme. Funding is scheme specific and not available for reallocation.
<b>Total</b>	<b>0.271</b>		
<b>Resources to be carried forward into next year (key items)</b>			
Better Care Fund Allocation Balance	3.426	Better Care Fund Grant	Options are being reviewed for this funding. Slippage may change as and when these options are approved and implemented.
Maghull Leisure Centre – Car Park	0.176	Prudential Borrowing	Scheme currently on hold. Awaiting further information.
<b>Total</b>	<b>3.602</b>		

7.6 The graph below therefore shows the 2018/19 Capital Programme expenditure to date against the profiled budget.



7.7 A service by service breakdown of expenditure, forecast actual expenditure and full year budget variation as at July 2018 is shown in the following table:

	Full Year Budget £'m	Expenditure to date £'m	Exp to Date as % of Budget %	Forecast Actual Expenditure to Date £'m	Forecast Full Year Budget Variation £'m
<b>Corporate Resources</b>	5.117	1.113	21.8	5.083	0.034
<u>New Schemes</u>					
Southport Theatre - Netting	0.030	0.000	0.0	0.030	0.000
Bootle Town Hall - Cold Water System	0.020	0.000	0.0	0.020	0.000
Previous Year Schemes	5.067	1.113	22.0	5.033	0.034
<b>Locality Services - Commissioned</b>	12.931	1.003	7.8	12.931	0.000
<u>New Schemes</u>					
LTP - New Schemes	3.596	0.000	0.0	3.596	0.000
Additional Pothole Funding	0.468	0.217	46.4	0.468	0.000
Buckley Hill Car Park	0.081	0.000	0.0	0.081	0.000
Previous Year Schemes	8.786	0.786	8.9	8.786	0.000
<b>Locality Services - Provision</b>	2.530	1.228	48.5	2.530	0.000
Previous Year Schemes	2.530	1.228	48.5	2.530	0.000
<b>Regeneration and Housing</b>	0.452	0.004	0.9	0.452	0.000
Previous Year Schemes	0.452	0.004	0.9	0.452	0.000



<b>Regulation and Compliance</b>	0.009	0.000	0.0	0.009	0.000
<u>Previous Year Schemes</u>	0.009	0.000	0.0	0.009	0.000
<b>Health &amp; Wellbeing</b>	0.512	0.031	6.1	0.072	0.440
<u>Previous Year Schemes</u>	0.512	0.031	6.1	0.072	0.440
<b>Adult Social Care</b>	3.994	0.006	0.2	0.568	3.426
<u>New Schemes</u>					
Approved Better Care Funding	2.078	0.000	0.0	0.000	2.078
<u>Previous Year Schemes</u>	1.916	0.006	0.3	0.568	1.348
<b>Children's Services</b>	5.737	0.246	4.3	5.661	0.076
<u>New Schemes</u>					
St Luke's Primary – Hall Extension	0.600	0.001	0.2	0.600	0.000
Crosby High - Special Needs WC	0.020	0.000	0.0	0.020	0.000
Impact PRU - Perimeter Fencing	0.015	0.000	0.0	0.015	0.000
Lydiate Primary - General Refurb	0.100	0.003	3.0	0.100	0.000
Forefield Infants - New Toilet Block	0.175	0.000	0.0	0.175	0.000
Linaker Primary- Additional 1 Form Entry	0.700	0.007	1.0	0.700	0.000
Healthy Pupils Fund	0.164	0.000	0.0	0.164	0.000
Hudson Primary - Heating Ducts Provision	0.150	0.000	0.0	0.150	0.000
Linacre Primary - Classroom Refurb	0.066	0.009	13.6	0.066	0.000
Lydiate Primary – New lighting system	0.021	0.000	0.0	0.021	0.000
Redgate Primary – Rewiring	0.150	0.012	8.0	0.150	0.000
Farnborough Rd Infant – Replace felt roof	0.044	0.003	6.8	0.044	0.000
Farnborough Rd Junior – Replace brickwork	0.024	0.000	0.0	0.024	0.000
Forefield Infants – Replace security fence	0.041	0.000	0.0	0.041	0.000
Merefield Special – Emergency lighting	0.036	0.004	11.1	0.036	0.000
Waterloo Primary - Kitchen Alterations	0.025	0.000	0.0	0.025	0.000
Impact PRU - CCTV & Security Gates	0.045	0.000	0.0	0.045	0.000
Netherton Moss Primary – Kitchen Refurb	0.050	0.000	0.0	0.050	0.000
<u>Previous Year Schemes</u>	3.311	0.207	6.3	3.235	0.076
<b>Communities</b>	1.136	0.058	5.1	1.136	0.000
<u>New Schemes</u>					
Atkinson Studio Stage	0.030	0.000	0.0	0.030	0.000
<u>Previous Year Schemes</u>	1.106	0.058	5.2	1.106	0.000
<b>Inward Investment &amp; Employment</b>	1.367	0.352	25.7	1.367	0.000

Previous Year Schemes	1.367	0.352	25.7	1.367	0.000
<b>Total New Schemes 2017/18</b>	<b>8.729</b>	<b>0.256</b>	<b>2.9</b>	<b>6.651</b>	<b>2.078</b>
<b>Total Previous Year Schemes</b>	<b>25.056</b>	<b>3.785</b>	<b>15.1</b>	<b>23.158</b>	<b>1.898</b>
Disabled Facilities Grant	2.200	0.415	18.9	2.200	0.000
<b>Total Capital Programme</b>	<b>35.985</b>	<b>4.456</b>	<b>12.4</b>	<b>32.009</b>	<b>3.976</b>

#### 7.8 Financing of the 2018/19 Capital Programme: -

	Budget £m
Government Grants*	25.043
Borrowing	7.779
S106	1.613
Contribution	1.338
Capital Receipt	0.212
<b>TOTAL</b>	<b>35.985</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 2018, £1.070m has been received leaving a balance due of £0.430m. As at the end of July 2018 £0.309m has been received leaving a balance required of £0.121m. It is anticipated this will be received early 2018/19.