

Report to:	Cabinet	Date of Meeting:	4 October 2018
Subject:	Revenue and Capital Budget Update 2018/19 – 2019/20		
Report of:	Head of Corporate Resources	Wards Affected:	All Wards
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	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 2018/19 and potential impact on the 2019/20 budget;
- ii) The current forecast on Council Tax and Business Rates collection for 2018/19; and,
- iii) The current position of the 2018/19 Capital Programme.

Recommendations:

Cabinet is recommended to: -

- i) Review and consider the forecast deficit revenue outturn position for 2018/19 and the potential impact on the budget for 2019/20, (including the achievement of approved Public Sector Reform savings);
- ii) Note the significant budget pressure and the urgency for service areas to bring forward new budget saving proposals for Member consideration in time to deliver a balanced budget position in 2018/19 and 2019/20;
- iii) Note the forecast position on the collection of Council Tax and Business Rates for 2018/19;
- iv) Note the current progress in the delivery of the 2018/19 Capital Programme.

Reasons for the Recommendation(s):

To ensure Cabinet are informed of the forecast outturn position for the 2018/19 revenue and capital budgets as at the end of August 2018 and to provide an updated forecast of the outturn position with regard to the collection of Council Tax and Business Rates.

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 before the end of the financial year.

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 £9.230m which can partially be off-set with approximately £6.500m of mitigating, one-off, actions. The Council will need to identify around a further £2.7m worth of savings to achieve a balanced position at the year end, and officer are currently reviewing potential areas for savings.

(B) Capital Costs

The Council's capital budget in 2018/19 is £35.924m. As at the end of August 2018, expenditure of £6.086m has been incurred and a full year outturn of £32.068m 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): There is currently a budget shortfall of £9.230m, one-off mitigating measures of £6.5m have been identified, therefore approximately a further £3m of savings will need to be identified by officers.
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.

<u>Protect the most vulnerable:</u> N/A
<u>Facilitate confident and resilient communities:</u> N/A

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

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources is the author of the report (FD 5309/18)

The Chief Legal and Democratic Officer has been consulted and any comments have been incorporated into the report (LD 4534/18).

(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 initial position on the mid-year review was reported to Cabinet in September 2018. This report builds upon that work, updates the forecast revenue outturn position for 2018/19 and highlights the further work that is being undertaken to balance the budget for 2018/19.
- 1.2 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.
- 1.3 An updated position regarding the 2018/19 Capital Programme is also provided as at the end of August.

2. Summary of the Forecast Outturn Position as at the end of August 2018

- 2.1 Members were provided with an update of the Council's forecast financial position (first stage of the Mid-Year Review), at the last Cabinet meeting. Significant pressures were identified in several service areas, particularly Adult / Children's Social Care, Locality Services – Provision and Home to School Transport. The latest forecast of service expenditure indicates a slight improvement in the overall financial position, with an overspend of £5.848m (£6.068m in July). The table below highlights the variations:

	Budget	Forecast Outturn	Variance	Previously Reported Position
	£m	£m	£m	£m
<u>Services</u>				
Strategic Management	3.049	3.049	0.000	0.000
Strategic Support Unit	4.006	3.993	(0.013)	(0.013)
Adult Social Care	94.369	95.134	0.765	1.084
Children's Social Care	28.137	31.957	3.820	3.516
Communities	8.255	8.185	(0.070)	(0.061)
Corporate Resources	5.116	4.631	(0.485)	(0.503)
Health & Wellbeing	22.541	22.157	(0.384)	(0.384)
Inward Investment and Employment	2.447	2.505	0.058	0.038
Locality Services - Commissioned	20.071	19.950	(0.121)	0.000
Locality Services - Provision	10.536	11.474	0.938	1.078
Regeneration and Housing	4.757	4.473	(0.284)	(0.168)
Regulation and Compliance	3.783	3.757	(0.026)	(0.143)
Schools and Families	23.097	24.426	1.329	1.339

Total Service Net Expenditure	230.164	235.691	5.527	5.783
Public Sector Reform Savings not allocated to services	(4.511)	(4.511)	0.000 (see para 2.2)	0.000 (see para 2.2)
Reversal of Capital Charges	(13.353)	(13.353)	0.000	0.000
Council Wide Budgets	10.918	11.239	0.321	0.285
Levies	33.255	33.255	0.000	0.000
General Government Grants	(34.194)	(34.194)	0.000	0.000
Total Net Expenditure	222.279	228.127		
Forecast Year-End Deficit			5.848	6.068

The key changes in the outturn position are as follows: -

- The Adult Social Care budget is forecast to be in deficit by £0.765m based on the August forecast; an improvement of £0.319 on the previous month. Reduced pressures on the Community Care budget has resulted a decrease in the overspend from £2.3m to £1.9m. The forecast assumes no further increase in demand or cost pressures within the Community Care budget between August and the end of the financial year, however, demand is unpredictable therefore as in previous years detailed monitoring will need to be undertaken within this budget.
- Children's Social Care costs are forecasted to increase the year-end deficit by £0.304m. Children's Placements and Package costs also continue to rise with growing numbers of Looked After Children (493 up from 484 in July) and on going costs associated with care leavers, despite being partially offset by some received CCG funding (£0.500m). These budgets are forecast to overspend by £3.815m; an increase of £0.252m from July. Other pressures relate to the legal costs of handling Children's Social Care cases at Court, which is forecast to overspend by £0.202m (£0.111m in July). This is due to rising costs of representation and increasing caseloads through the Courts. Other areas of the budget however, are forecast to underspend, mostly a result of vacancy turnover across the social work teams (£0.177m less compared to July).
- Locality Services – Commissioned. A saving of £0.121m is forecast when compared to last month. This is mainly a result of staff savings (£0.047m) and additional income from permits and street naming and numbering (£0.074m).
- Localities Services - Provision is currently forecasting an overspend by £0.938m; a reduction of £0.140m when compared to the July position. This is mainly due to better forecast performance in Vehicle Maintenance (£0.100m) and Burials (£0.040m).
- Regulation and Compliance forecast outturn position is now expected to be in a slight deficit position (£0.010m) compared to the surplus expected in July (£0.143m). This is due to further costs (given an increase in the electoral register

numbers) and a financial year which holds a Sefton only Borough Election (£0.023m); along with a shortfall in the Post budget due to a delay in the restructure of staffing the service (£0.053m). The functions of this service will be transferred to the Head of Corporate Resources and Head of Highways and Public Protection.

2.2 The 2018/19 Budget included £10.227m of savings from Public Sector Reform (PSR) projects. Current forecasts are that £6.845m of savings will be deliverable in the year (67%). There is a 2018/19 phasing issue amounting to £2.723m, however these savings are expected to be achieved in 2019/20 meaning that £9.568m (94%) in total is forecast to be delivered in 2019/20 and future years. 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:

	Total Saving 2018/19	Forecast - Achieved In 2018/19	Phasing Delivery 2019/20	Won't be delivered
	£m	£m	£m	£m
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
Total Budget Pressure	10.227	6.845	2.723	0.659

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

	£m
2018/2019 Forecast Outturn	5.848
PSR - Unachievable 2018/2019	0.659
Ongoing Budget Pressures	6.507
PSR - Phasing 2018/2019	2.723
Total Forecast Budget Gap 2018/19	9.230

Options to close the residual gap in 2018/19

- 2.4 As Members will recall from the previous Cabinet report, there are substantial additional pressures being faced, particularly within social care, Locality Services – Provision and Schools and Families. 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 budget underspend from 2017/2018 (as reported to Cabinet on 26 July 2018), additional 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.
- 2.5 The Council is committed to ensuring financial sustainability in the short and medium term. The three-year budget plan remains secure but more savings are required in light of increasing demand. In order to further improve the in-year position mitigating options are required for implementation as soon as possible in the second half of the financial year to maximise their impact. Service areas are reviewing budgets with a view to identifying uncommitted funding and other actions that could reduce the deficit including a moratorium on non-essential expenditure and a review of reserves and balances. There will be close monitoring of services under significant budget pressure, in particular Children's and Adults, to provide transparency regarding the current position and a focus on the short term forecast to ensure early identification should further cost pressures materialise as a result of continuing increases in statutory activity.
- 2.6 The seriousness of the budget position, despite the successful delivery of the three year PSR programme, requires the development of immediate remedial action and permanent proposals for implementation from April 2019. Due to the current outturn forecast, it is clear as previously reported to Cabinet that approximately £9-10m of additional pressure will be placed upon the 2019/20 budget (in addition to the current best estimate of £15m in respect of 2020/21). Senior officers are dedicating significant time over the coming weeks and engaging with members accordingly in order that the remaining in-year overspend is fully mitigated and sustainable budget options for forthcoming financial years can be presented for Members to consider.
- 2.7 Budget development sessions are due to take place with Heads of Service at the end of September. The aim of these sessions is to review all areas of the Council's activity both from a service delivery and budget point of view and identify areas for development of alternative delivery models at lower cost whilst maintaining or improving outcomes for service users. It is expected that a robust budget recovery plan will be presented in the December Budget Monitoring report to Cabinet.

3 Council Tax Income – Update

- 3.1 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.

3.2 The forecast outturn for the Council at the end of August 2018 is a surplus of -£0.582m. 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 higher than estimated at -£0.089m;
- Council Tax Reduction Scheme discounts being lower than estimated at £0.601m;
- Exemptions and Discounts (including a forecasting adjustment) being higher than estimated at +£0.113m.

3.3 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.

4 Business Rates Income – Update

4.1 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.

4.2 The forecast outturn for the Council at the end of August 2018 is a surplus of -£1.646m 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 (-£0.088m)
- Other reliefs (including a forecasting adjustment) being higher than estimated in 2018/19 at +£0.611m.

4.3 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.

5 Capital Programme 2018/19

5.1 The approved capital budget for 2018/19 is £35.924m.

5.2 As at the end of August, expenditure of £6.086m (16.9%) has been incurred within the approved Capital Programme.

5.3 As part of the monthly review project managers are now stating that £32.068m will be spent by year end. This would result in an under spend on the year of £3.856m 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 August 2018	Forecast Actual Expenditure	Full Year Budget Variance
£m	£m	£m	£m
35.924	6.086	32.068	3.856

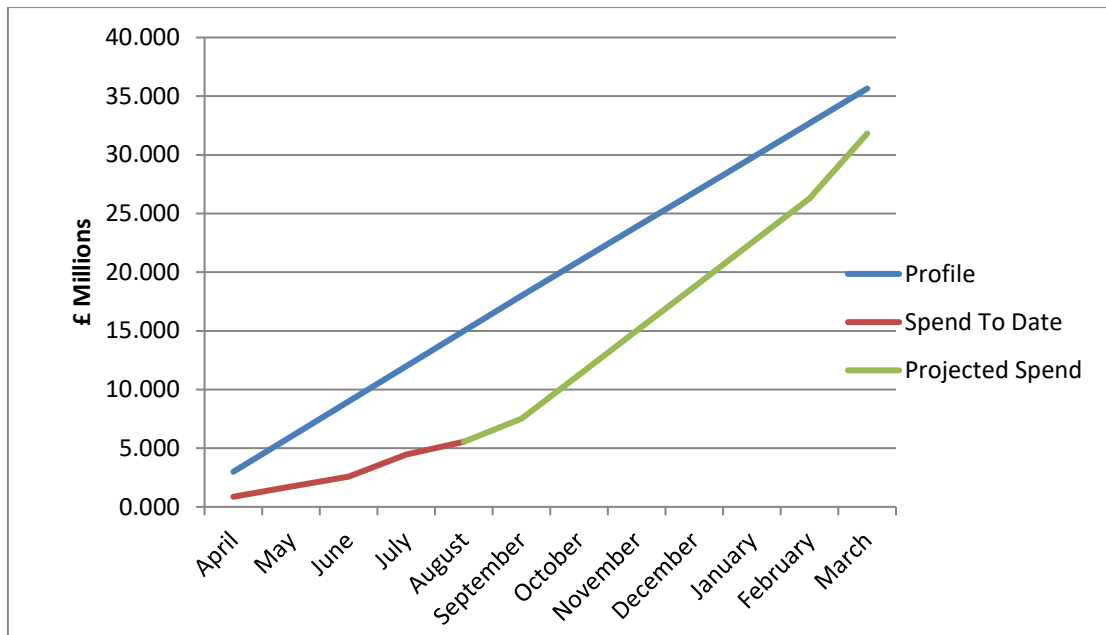
5.4 In order to achieve the revised forecast of £32.068m, expenditure of £25.982m will need to be incurred between now and the end of the year.

5.5 Key Variations on Overall Programme

It can be seen from the current forecast position that approximately £3.856m 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
Funding No Longer Required (key items)			
Total			
Resources to be carried forward into next year (key items)			
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, pending negotiations with the Parish Council.
Southport Pier	0.128	Revenue Contribution – Pier Sinking Fund	Scheme progress has been reviewed and as such request will be made to slip this resource into 2019/20.
Total	3.730		

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



5.7 A service by service breakdown of expenditure, forecast actual expenditure and full year budget variation as at August 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
Corporate Resources	5.117	1.604	31.3	5.083	0.034
<u>New Schemes</u>					
Bootle Town Hall - Cold Water System	0.020	0.000	0.0	0.020	0.000
Previous Year Schemes	5.097	1.604	31.5	5.063	0.034
Locality Services - Commissioned	13.204	1.747	13.2	13.204	0.000
<u>New Schemes</u>					
LTP - New Schemes	3.596	0.430	12.0	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	9.059	1.100	12.1	9.059	0.000
Locality Services - Provision	2.530	1.245	49.2	2.530	0.000
Previous Year Schemes	2.530	1.245	49.2	2.530	0.000
Regeneration and Housing	0.452	0.004	0.9	0.452	0.000
Previous Year Schemes	0.452	0.004	0.9	0.452	0.000
Regulation and Compliance	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
Health & Wellbeing	0.241	0.031	12.9	0.072	0.169
<u>Previous Year Schemes</u>	0.241	0.031	12.9	0.072	0.169
Adult Social Care	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
Children's Services	5.737	0.365	6.4	5.661	0.076
<u>New Schemes</u>					
St Luke's Primary – Hall Extension	0.600	0.040	6.7	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	0.016	16.0	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	0.080	11.4	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	0.012	18.2	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	0.041	113.9	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	0.161	4.9	3.235	0.076
Communities	1.073	0.062	5.8	1.050	0.023
<u>New Schemes</u>					
Atkinson Studio Stage	0.030	0.000	0.0	0.030	0.000
<u>Previous Year Schemes</u>	1.043	0.062	5.9	1.020	0.023
Inward Investment & Employment	1.367	0.468	34.2	1.239	0.128
<u>Previous Year Schemes</u>	1.367	0.468	34.2	1.239	0.128
Total New Schemes 2017/18	8.729	0.851	9.7	6.651	2.078
Total Previous Year Schemes	24.995	4.651	18.6	23.217	1.778

Disabled Facilities Grant	2.200	0.554	25.2	2.200	0.000
Total Capital Programme	35.924	6.086	16.9	32.068	3.856

5.8 Financing of the 2018/19 Capital Programme

	Budget
	£m
Government Grants*	25.316
Borrowing	7.608
S106	1.550
Contribution	1.238
Capital Receipt	0.212
TOTAL	35.924

*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 August 2018 £0.309m has been received leaving a balance required of £0.121m. It is anticipated this will be received early in 2019.