

Report to:	Cabinet	Date of Meeting:	1 November 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) Consider the significant budget pressure in 2018/19 and approve the implementation of the mitigating actions that have been identified and are detailed within this report;
- ii) Approve that in the event that there is material change to the 2018/19 outturn forecast, that additional remedial measures should be identified in order that a balanced budget position can be achieved; and,
- iii) Agree that as a result of the impact of the current financial position in 2018/19, and its subsequent impact on the 2019/20 budget, officers continue to identify new budget saving proposals for Members to consider in order that a robust and sustainable budget can be set for 2019/20.

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 September 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. The Council is half way through the second year of the budget plan and remains confident that the strategic approach to budget planning alongside good financial management and extensive community engagement means that it will secure 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 if the position worsens over the coming months.

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 £9.097m which can be off-set with approximately £6.500m of mitigating, one-off, actions previously identified and a further £2.600m worth of in-year savings identified by officers to achieve a balanced position at the year end. Any worsening of the overall position will require further savings to be identified by officers.

(B) Capital Costs

The Council's capital budget in 2018/19 is £36.181m. As at the end of September 2018, expenditure of £9.125m has been incurred and a full year outturn of £29.224m 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 £9.097m, one-off mitigating measures of £6.5m have been identified, with a further £2.6m of in year savings identified by officers. This currently leaves a balanced budget.
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> See comment above

<p><u>Facilitate confident and resilient communities:</u> See comment above</p>
<p><u>Commission, broker and provide core services:</u> See comment above</p>
<p><u>Place – leadership and influencer:</u> See comment above</p>
<p><u>Drivers of change and reform:</u> See comment above</p>
<p><u>Facilitate sustainable economic prosperity:</u> See comment above</p>
<p><u>Greater income for social investment:</u> See comment above</p>
<p><u>Cleaner Greener:</u> See comment above</p>

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 5338/18)

The Chief Legal and Democratic Officer has been consulted and any comments have been incorporated into the report (LD 4563/18).

(B) External Consultations

N/A

Implementation Date for the Decision

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

Contact Officers: **Stephan Van Arendsen**
Tel: **0151 934 4082**
Email: Stephan.VanArendsen@sefton.gov.uk

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 has been 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 September.

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

- 1.0 Members have been provided with updates of the Council's forecast financial position (including the first stage of the Mid-Year Review), over the last couple of months. Significant pressures have been 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 £5.734m (£5.848m in August). 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	95.168	0.799	0.765
Children's Social Care	28.137	32.232	4.095	3.820
Communities	8.223	8.098	(0.125)	(0.070)
Corporate Resources	5.171	4.701	(0.470)	(0.485)
Health & Wellbeing	22.541	22.031	(0.510)	(0.384)
Inward Investment and Employment	2.447	2.569	0.122	0.058
Locality Services - Commissioned	20.071	19.904	(0.167)	(0.121)
Locality Services - Provision	10.536	11.431	0.895	0.938
Regeneration and Housing	4.757	4.473	(0.284)	(0.284)
Regulation and Compliance	3.783	3.827	0.044	(0.026)
Schools and Families	23.079	24.207	1.128	1.329

Total Service Net Expenditure	230.164	235.683	5.514	5.527
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	10.912	11.132	0.220	0.321
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	228.012		
Forecast Year-End Deficit			5.734	5.848

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

- The Adult Social Care budget is forecast to be in deficit by £0.799m based on the September forecast. This is mainly due to pressure on the Community Care budget, net £2.13m offset by forecast surpluses on employees (£0.293m), Specialist Transport (£0.600m) and assumed capitalisation of equipment (£0.300m) together with an expected surplus on DoLS doctors' fees (£0.050m). The forecast assumes there will be no further increase in demand or cost pressures, on the Community Care budget between September and the end of the financial year. The deficit has increased from the previous months position by £0.034m mainly due to an increase in the Community Care forecast of a net £0.178m which has been in part offset by further vacancy savings.
- The overspend position on Children's Social Care between August and September has worsened by £0.275m to £4.095m. This would have considerably higher in September only for the recent agreement with the Sefton CCGs to support some backdated funding for a couple of cases which were in dispute since 2017/18. Agreement has now been made that backdated funding of £0.213m will be paid in this respect, thereby suppressing the overspend position. During the last month, the care package and placements budget forecasts have increased overall by £0.237m and Children's legal fees have similarly increased by £0.044m since August.
- The reduction in the Schools and Families variation of £0.202m since August is due to the inclusion of Non-Employee related PSR EIP2 savings within Education Services (£0.212m), this has previously been assumed to be in line with the budget. There is also a reduction in forecast vacancy savings within SEND services (£0.034m), along with an increase in the forecast Home to School Transport overspend of £0.035m.
- Health and Wellbeing. The forecast underspend of £0.511m is made up of £0.265m underspend within Public Health, mainly vacancy savings and substance misuse underspend, and £0.246m underspend within the sports service due to NNDR revaluations. It is assumed that sports income will be on target. The

additional underspend this month (£0.126m) is mainly due to increased forecast underspending on substance misuse.

- Council Wide Budgets - The latest budget monitoring information for housing benefits suggests that the forecast deficit is not expected to be as high as previously indicated, and the forecast position has been reduced by £0.100m this month in line with this. This area of the budget requires careful monitoring however, and the position is likely to change again before the end of the year.

1.1 The 2018/19 Budget included £10.227m of savings from Public Sector Reform (PSR) projects. Current forecasts are that £6.864m of savings will be deliverable in the year (67%). There is a 2018/19 phasing issue amounting to £2.704m, 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	2.913	2.187	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	6.864	2.704	0.659

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

	£m
2018/2019 Forecast Outturn	5.734
PSR - Unachievable 2018/2019	0.659
Ongoing Budget Pressures	6.393

PSR - Phasing 2018/2019	2.704
Total Forecast Budget Gap 2018/19	9.097

Options to close the residual gap in 2018/19

- 1.3 The Forecast Budget Gap has now remained relatively constant for the last three months (the reductions of about £0.400m relate to remedial actions that have been implemented within Services and are now being reported within the net position). This supports the approach the Council is taking in managing the Budget Gap.
- 1.4 However, as Members will recall from the previous Cabinet reports, there are substantial additional pressures being faced, particularly within social care, Locality Services – Provision and Schools and Families. Although these pressures haven't increased in the last month they remain a significant risk to the Council's in-year position (particularly Children's Social Care). There will be close monitoring of these services under significant budget pressure, 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. Any worsening of the position relating to these Services will require further remedial actions to be implemented.
- 1.5 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) - £1.923m;
 - Additional Adult Social Care Support Grant allocation announced by the Government late in the budget process - £0.953m;
 - The impact of the change in VAT liability of certain leisure fees and charges being introduced earlier than previously anticipated - £0.700m;
 - Vacancy and Supplies & Services savings across all services - £1.250m; and,
 - Council Tax Surplus arising in 2018/19 - £0.582m.
- 1.6 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. As reported to Cabinet on 4th October 2018, in order to further improve the in-year position mitigating options were required for implementation as soon as possible in the second half of the financial year to maximise their impact. Service areas have reviewed budgets and have identified uncommitted funding and other actions that will reduce the deficit, including a moratorium on non-essential expenditure and a review of reserves and balances. This will realise a further £2.6m of resources which will bridge the remaining Forecast Budget Gap. However, as mentioned in paragraph 2.5, any increase in the Forecast Budget Gap will require additional mitigating actions to ensure a balanced budget position is achieved for 2018/19.
- 1.7 Since the last report, the Secretary of State for Health and Social Care announced on 2nd October 2018 that local authorities would receive an additional £240m in 2018/19 with the aim of reducing delayed transfers of care from hospitals. Sefton's

allocation is £1.525m but it should be noted that this is one-off funding for 2018/19 only. Therefore, whilst the additional resource will fund increased packages of care in 2018/19 this will place more pressure on the Service in future years.

Implications beyond 2018/19

- 1.8 The seriousness of the budget position, despite the successful delivery of the three year PSR programme, requires the development of 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 have been dedicating significant time over recent and coming weeks and engaging with members accordingly in order that sustainable budget options for forthcoming financial years can be presented for Members to consider.
- 1.9 Budget development sessions have taken place with Heads of Service in early October. The aim of these sessions was 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.
- 1.10 The current forecasts relating to Government funding for 2018/19 are based on the final year of the four-year settlement accepted by the Council (along with the majority of local authorities). As outlined in the report to Cabinet on 6th September 2018, the levels of funding beyond 2019/20 are less certain.
- 1.11 The Budget Statement is due to be delivered on 29th October 2018 with the Provisional Local Government Finance Settlement due to be announced in mid to late December. It is unknown if there will be any announcements that will impact on the Council's current forecasts. In particular, there has been significant national commentary about funding for both Adult and Children's social care due to the pressures being experienced by all local authorities. However, there have been no announcements about additional support being available, beyond the additional resources for Adult Social Care in 2018/19 outlined in paragraph 2.8.

2 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 September 2018 is a surplus of -£0.888m. 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 -£0.234m;
- Council Tax Reduction Scheme discounts being lower than estimated at -£0.709m;
- Exemptions and Discounts (including a forecasting adjustment) being higher than estimated at +£0.060m.

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 September 2018 is a surplus of -£1.648m 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 (-£0.042m)
- Other reliefs (including a forecasting adjustment) being higher than estimated in 2018/19 at +£0.563m.

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

1.1 The approved capital budget for 2018/19 is £36.181m.

1.2 As at the end of September, expenditure of £9.125m (25.2%) has been incurred within the approved Capital Programme.

1.3 As part of the monthly review project managers are now stating that £29.224m will be spent by year end. This would result in an under spend on the year of £6.957m on the whole programme with an overall delivery rate of 81%. This is summarised below as follows:-

2018/19 Full Year Budget	Actual Expenditure as at September 2018	Forecast Actual Expenditure	Full Year Budget Variance
£m	£m	£m	£m
36.181	9.125	29.224	6.957

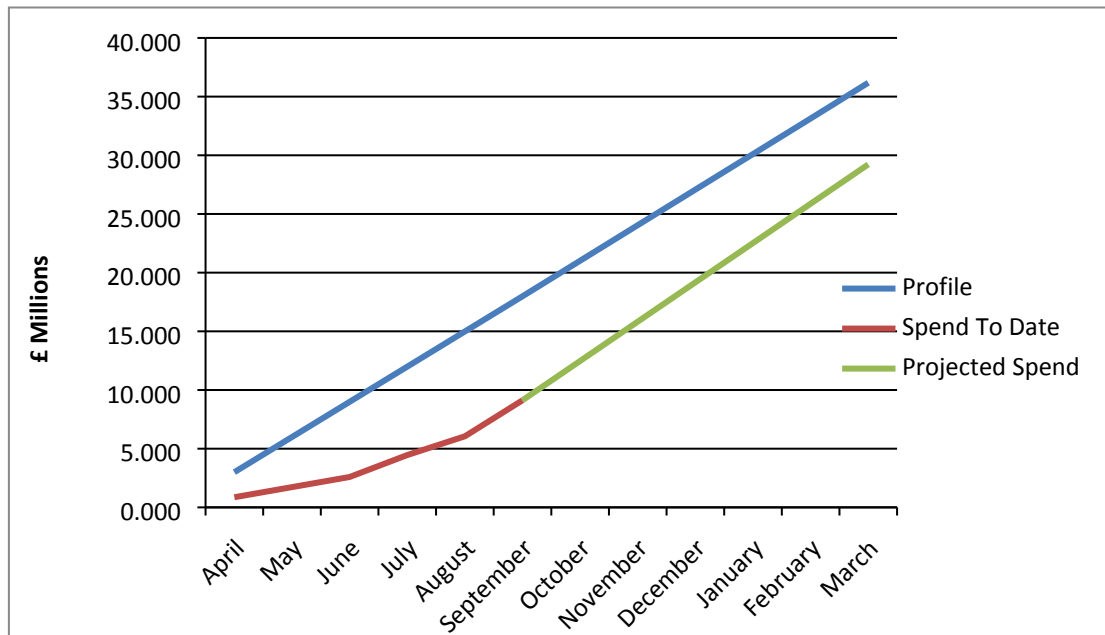
1.4 In order to achieve the revised forecast of £29.224m, expenditure of £20.099m will need to be incurred between now and the end of the year.

1.5 Key Variations on Overall Programme

It can be seen from the current forecast position that approximately £6.957m 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 Capital Allocation - Uncommitted	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.
M58 Junction 1 Improvements	2.683	Government Grant	Scheme progress has been reviewed and as such request will be made to slip this resource into 2019/20.
CERMS 2016-2021 Sefton Spend	0.300	Environment Agency Grant	Scheme progress has been reviewed and as such request will be made to slip this resource into 2019/20.
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	6.713		

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



1.7 A service by service breakdown of expenditure, forecast actual expenditure and full year budget variation as at September 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	5.344	3.306	61.9	5.302	0.042
<u>New Schemes</u>					
Southport Theatre - Netting	0.030	0.045	150.0	0.030	0.000
Bootle Town Hall - Cold Water System	0.020	0.000	0.0	0.020	0.000
Previous Year Schemes	5.294	3.261	61.6	5.252	0.042
Locality Services - Commissioned	13.234	2.259	17.1	10.141	3.093
<u>New Schemes</u>					
LTP - New Schemes	3.596	0.724	20.1	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
<u>Previous Year Schemes</u>	9.089	1.318	14.5	5.996	3.093
Locality Services - Provision	2.530	1.410	55.7	2.530	0.000
<u>Previous Year Schemes</u>	2.530	1.410	55.7	2.530	0.000
Regeneration and Housing	0.452	0.006	1.3	0.452	0.000
<u>Previous Year Schemes</u>	0.452	0.006	1.3	0.452	0.000
Regulation and Compliance	0.009	0.000	0.0	0.009	0.000

Previous Year Schemes	0.009	0.000	0.0	0.009	0.000
Health & Wellbeing	0.241	0.031	12.9	0.072	0.169
Previous Year Schemes	0.241	0.031	12.9	0.072	0.169
Adult Social Care	3.994	0.006	0.2	0.568	3.426
New Schemes					
Approved Better Care Funding	2.078	0.000	0.0	0.000	2.078
Previous Year Schemes	1.916	0.006	0.3	0.568	1.348
Children's Services	5.737	0.795	13.9	5.661	0.076
New Schemes					
St Luke's Primary – Hall Extension	0.600	0.123	20.5	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	0.036	36.0	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	0.044	6.3	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	0.060	90.9	0.066	0.000
Lydiate Primary – New lighting system	0.021	0.000	0.0	0.021	0.000
Redgate Primary – Rewiring	0.150	0.110	73.3	0.150	0.000
Farnborough Rd Infant – Replace felt roof	0.044	0.000	0.0	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	0.068	188.9	0.036	0.000
Waterloo Primary - Kitchen Alterations	0.025	0.010	40.0	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
Previous Year Schemes	3.311	0.344	10.4	3.235	0.076
Communities	1.073	0.070	6.5	1.050	0.023
New Schemes					
Atkinson Studio Stage	0.030	0.000	0.0	0.030	0.000
Previous Year Schemes	1.043	0.070	6.7	1.020	0.023
Inward Investment & Employment	1.367	0.599	43.8	1.239	0.128
Previous Year Schemes	1.367	0.599	43.8	1.239	0.128
Total New Schemes 2017/18	8.729	1.437	16.5	6.651	2.078

Total Previous Year Schemes	25.252	7.045	27.9	20.373	4.879
Disabled Facilities Grant	2.200	0.643	29.2	2.200	0.000
Total Capital Programme	36.181	9.125	25.2	29.224	6.957

1.8 Financing of the 2018/19 Capital Programme

	Budget
	£m
Government Grants*	25.381
Borrowing	7.608
S106	1.515
Contribution	1.465
Capital Receipt	0.212
TOTAL	36.181

*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 September 2018 £0.309m has been received leaving a balance required of £0.121m. It is anticipated this will be received in 2018/19.