

Report to:	Cabinet	Date of Meeting:	10 January 2019
Subject:	Revenue and Capital Budget Plan 2018/19 – 2019/20		
Report of:	Head of Corporate Resources	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - 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.

Recommendation(s):

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;
- 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 November 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 over half way through the second year of the budget

plan and remains confident its strategic approach to budget planning alongside good financial management and extensive community engagement means that the plan continues to develop on solid foundations; it 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 significantly exceeding the budget. If further budget pressures are identified between now and the end of the year additional remedial action will be required to bring the overall budget into balance.

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 £8.828m which can be off-set with £6.046m of mitigating, one-off, actions previously identified and a further £2.815m 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 £35.973m. As at the end of November 2018, expenditure of £11.022m has been incurred and a full year outturn of £28.087m is currently forecast.

Implications of the Proposals:

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

There is currently a budget shortfall of £8.828m forecast for 2018/19, one-off mitigating measures of £6.046m have been identified, with a further £2.815m of in year savings identified by officers. Based on the current forecast a balanced budget will be delivered however it should be noted that significant pressure and risk remains in four key business areas, namely Adults and Children's Social Care, Schools and Families and Locality Service provision. These budgets may experience further demand pressure between now and the end of the year and further mitigations and remedial actions will be required in such an eventuality.

Legal Implications:

None

Equality Implications:

There are no equality implications.

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:

See comment above

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

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 5485/18)

The Chief Legal and Democratic Officer has been consulted and any comments have been incorporated into the report (LD 4610/18).

(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 Officer:	Stephan Van Arendsen
Telephone Number:	Tel: 0151 934 4082
Email Address:	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 Budget report outlined that due to the financial pressures being faced by the Council a mid-year review would be undertaken. The initial position following the mid-year review was reported to Cabinet in September 2018. This report continues to build 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 November.

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

- 2.1 Members have been provided with updates of the Council's forecast financial position (including a detailed Mid-Year Review) each month during this financial year. Significant pressures have been identified in several service areas, particularly Adult and Children's Social Care, Locality Services Provision and Home to School Transport. The latest forecast of service expenditure indicates a slight worsening in the overall financial position, with an overspend of £6.194m (£6.141m in October). 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	3.026	3.013	(0.013)	(0.013)
Adult Social Care	95.349	95.977	0.628	0.724
Children's Social Care	28.137	32.646	4.338	4.338
Communities	8.223	8.083	(0.140)	(0.131)
Corporate Resources	5.171	4.624	(0.547)	(0.539)
Health & Wellbeing	22.541	22.031	(0.510)	(0.510)
Inward Investment and Employment	2.447	2.753	0.306	0.310
Locality Services - Commissioned	20.072	19.993	(0.079)	(0.167)
Locality Services - Provision	10.536	11.431	0.895	0.895
Regeneration and Housing	4.757	4.431	(0.326)	(0.356)
Regulation and Compliance	3.776	3.851	0.075	0.005

Schools and Families	23.079	24.695	1.382	1.382
Total Service Net Expenditure	230.163	237.077	6.009	5.938
Public Sector Reform Savings not allocated to services	(4.489)	(4.489)	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	10.905	11.090	0.185	0.203
Levies	33.255	33.255	0.000	0.000
General Government Grants	(34.202)	(34.202)	0.000	0.000
Total Net Expenditure	222.279	229.378		
Forecast Year-End Deficit			6.194	6.141

There are no significant changes in the forecast outturn position between October and November.

- 2.2 The 2018/19 Budget included £10.227m of savings from Public Sector Reform (PSR) projects. Current forecasts are that £7.593m of savings will be deliverable in the year (74%). There is a 2018/19 phasing issue amounting to £1.975m, 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	3.477	1.623	0.000
PSR2 - Personalisation	1.000	1.000	0.000	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	7.593	1.975	0.659

2.3 As a result of the detail provided in this report it can be seen that the Council's overall forecast outturn position, before remedial action, is shown below:

	November	October	Variance
	£m	£m	£m
2018/2019 Forecast Outturn (see 2.1)	6.194	6.141	+0.053
PSR - Unachievable 2018/2019	0.659	0.659	0.000
Ongoing Budget Pressures	6.853	6.800	+0.053
PSR - Phasing 2018/2019	1.975	1.975	0.000
Total Forecast Budget Gap 2018/19	8.828	8.775	+0.053

Measures to close the residual gap in 2018/19

2.4 The Forecast Budget Gap has remained relatively constant for the last few months. This is partly because remedial actions 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.

2.5 As mentioned in paragraph 2.1, several services are experiencing significant demand pressures. These remain a significant risk to the Council's in-year position. The services are continuing to try to identify mitigating actions, for example by reviewing high cost social care cases and maximising external contributions towards cases. We will continue to closely monitor the services under significant budget pressure during the remaining months of the financial year in order that proactive management of the overall budget can take place.

2.6 Financial sustainability is a key objective of the Council's Framework for Change programme. In order to achieve a balanced budget position, officers have identified – and Members have approved – a number of one-off measures within the Medium Term Financial Plan that will realise £6.046m 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 26th 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;
- Additional ASC Grant in 2018/19 utilised to offset forecast demand pressures - £1.010m;
- Additional Business Rates s31 Grants - £0.610m; and,
- Business Rates refunds on Council establishments - £0.350m.

2.7 Whilst these measures contribute significantly to closing the forecast deficit position during the current year, additional measures are required in relation to current expenditure budgets in order to bridge the remaining gap. As reported previously,

service areas have reviewed all 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 £2.815m and is summarised below.

- Vacancy and Supplies & Services savings across all services - £0.950m;
- Review of reserves and balances - £1.025m; and,
- Other savings on non-essential expenditure - £0.840m.

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

	£m
Total Forecast Budget Gap 2018/19	8.828
One-Off Measures 2018/2019	-6.046
Actions undertaken by services 2018/2019	-2.815
Total Forecast Budget Gap 2018/19	-0.033

2.9 All Services will continue to review budgets and identify any areas within them that can contribute to the forecast budget gap should the position worsen.

Implications beyond 2018/19

2.10 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. The updated forecast outturn for 2018/19 now means that the budget gap for 2019/20 is between £10m and £12m, in addition to the current best estimate of £15m in respect of 2020/21. Senior officers have been dedicating significant time over recent weeks to this budget shortfall and the development of future budget options for member consideration.

2.11 Budget development sessions took 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. A robust budget recovery plan will be presented for consideration prior to the Budget Setting report for 2019/20.

2.12 The current forecasts relating to Government funding for 2019/20 are based on the final year of the four-year settlement accepted by the Council. As outlined in the report to Cabinet on 4th October 2018, the levels of funding beyond 2019/20 are less certain.

2.13 The Budget Statement was delivered on 29th October 2018 and the Provisional Local Government Finance Settlement was announced on 13th December 2018, one week later than previously announced. The Budget Statement report for Council in February 2019 will outline a detailed plan for 2019/20 taking into account the settlement, which is currently at the consultation stage, and direction from Members on budget options in order to set a balanced budget. In addition, Major

Service Reviews are underway across the four service areas experiencing significant budget pressure. They are expected to recommend initiatives to deliver savings in 2019/20 (part-year) and 2020/21.

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 November 2018 is a surplus of -£0.928m. This variation is primarily due to: -
- The surplus on the fund at the end of 2017/18 being higher than estimated at -£0.004m;
 - Gross Council Tax Charges in 2018/19 being higher than estimated at -£0.276m;
 - Council Tax Reduction Scheme discounts being lower than estimated at -£0.694m;
 - Exemptions and Discounts (including a forecasting adjustment) being higher than estimated at +£0.046m.
- 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 November 2018 is a surplus of -£1.663m 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 (-£0.048m)
 - Other reliefs (including a forecasting adjustment) being higher than estimated in 2018/19 at +£0.554m.

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 £35.973m.

5.2 As at the end of November, expenditure of £11.022m (30.6%) has been incurred within the approved Capital Programme. This is in line with a percentage spend of 32.3% (£9.109m) as at November last year.

5.3 As part of the monthly review project managers are now stating that £28.087m will be spent by year end. This would result in an under spend on the year of £7.886m on the whole programme with an overall delivery rate of 78%. This is summarised below as follows: -

2018/19 Full Year Budget	Actual Expenditure as at November 2018	Forecast Actual Expenditure	Full Year Budget Variance
£m	£m	£m	£m
35.973	11.022	28.087	7.886

5.4 Last year the overall delivery rate as at November was 84%. The reduction this year is due to the key variations detailed in section 5.6.

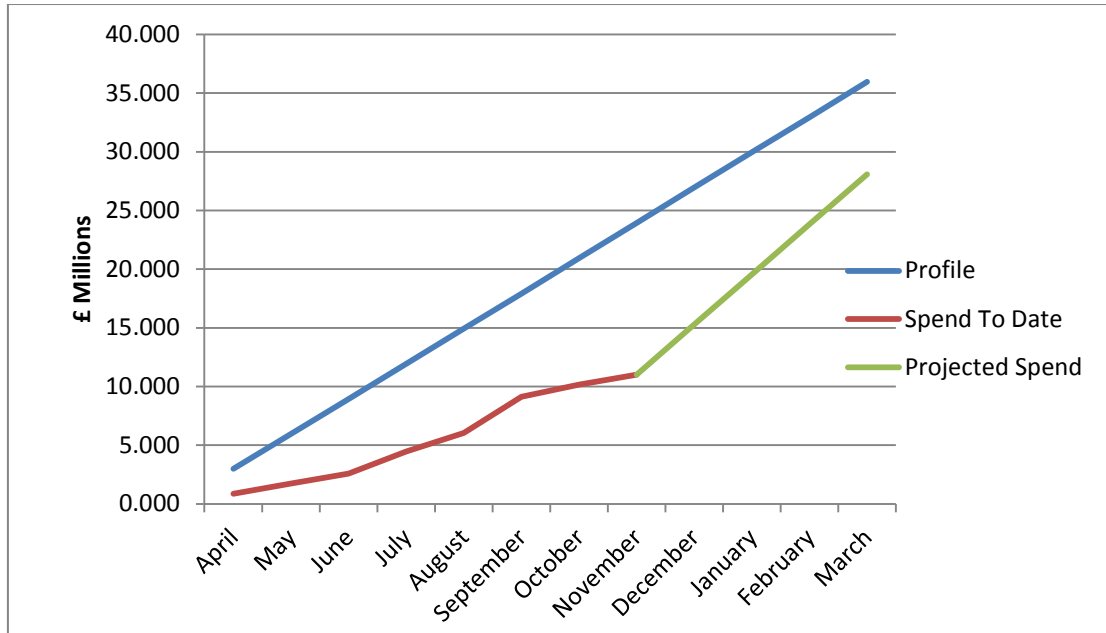
5.5 In order to achieve the revised forecast of £28.087m, expenditure of £17.065m will need to be incurred between now and the end of the year (within the last 4 months). Based on current expenditure levels it is considered that this forecast is ambitious, however historically a significant level of expenditure is incurred in the last 3 months of the year. Careful monitoring will be required to support this over the remainder of the year.

5.6 Key Variations on Overall Programme

It can be seen from the current forecast position that approximately £7.886m 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.
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.
Disabled Facilities Grant	0.533	Better Care Fund Grant	Scheme is below anticipated levels this year due to a reduction in referral numbers. A 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.
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	7.070		

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



5.8 A service by service breakdown of expenditure, forecast actual expenditure and full year budget variation as at November 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	3.611	67.6	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	3.566	67.4	5.252	0.042
Locality Services - Commissioned	13.252	2.885	21.8	9.594	3.658
<u>New Schemes</u>					
LTP - New Schemes	3.596	1.091	30.3	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
Ovington Drive, Kew - Play Area	0.044	0.000	0.0	0.044	0.000
Smithy Green, Formby - Play Area	0.065	0.000	0.0	0.065	0.000
Previous Year Schemes	8.998	1.577	17.5	5.340	3.658
Locality Services - Provision	2.530	1.388	54.9	2.530	0.000

<u>Previous Year Schemes</u>	2.530	1.388	54.9	2.530	0.000
Regeneration and Housing	0.452	0.027	6.0	0.452	0.000
<u>Previous Year Schemes</u>	0.452	0.027	6.0	0.452	0.000
Regulation and Compliance	0.009	0.000	0.0	0.006	0.003
<u>Previous Year Schemes</u>	0.009	0.000	0.0	0.006	0.003
Health & Wellbeing	0.065	0.031	47.7	0.050	0.015
<u>Previous Year Schemes</u>	0.065	0.031	47.7	0.050	0.015
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	5.710	1.230	21.5	5.629	0.081
<u>New Schemes</u>					
St Luke's Primary – Hall Extension	0.600	0.169	28.2	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	0.054	54.0	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	0.197	28.1	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	0.066	100.0	0.066	0.000
Lydiate Primary – New lighting system	0.021	0.000	0.0	0.021	0.000
Redgate Primary – Rewiring	0.150	0.120	80.0	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	0.036	100.0	0.036	0.000
Waterloo Primary - Kitchen Alterations	0.025	0.017	68.0	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>	3.284	0.568	17.3	3.203	0.081
Communities	1.050	0.110	10.5	1.050	0.000

<u>New Schemes</u>					
Atkinson Studio Stage	0.030	0.017	56.7	0.030	0.000
<u>Previous Year Schemes</u>	1.020	0.093	9.1	1.020	0.000
<u>Inward Investment & Employment</u>	1.367	0.767	56.1	1.239	0.128
<u>Previous Year Schemes</u>	1.367	0.767	56.1	1.239	0.128
Total New Schemes 2017/18	8.838	2.032	23.0	6.760	2.078
Total Previous Year Schemes	24.935	8.023	32.2	19.660	5.275
Disabled Facilities Grant	2.200	0.967	44.0	1.667	0.533
Total Capital Programme	35.973	11.022	30.6	28.087	7.886

5.9 Financing of the 2018/19 Capital Programme

	Budget
	£m
Government Grants*	25.354
Borrowing	7.431
S106	1.480
Contribution	1.496
Capital Receipt	0.212
TOTAL	35.973

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