

CABINET**Tuesday, 28 January 2020****QUARTER 3 2019/20 REVENUE FINANCIAL MONITORING****Councillor Janette Williamson said:**

“We continue to deal with huge financial pressures, resulting from a combination of austerity policies and continually increasing demand for and cost of services. We do everything we can to protect our front-line services from the worst of these cuts. We make commercial investments and decisions to make money to replace the funds which have been taken away from us, and we continually develop new ways to deliver services with less money.

We will continue to act responsibly with public money and get the best possible value for Wirral residents. This does not get any easier, as the cuts continue to bite and put almost unprecedented pressure on our finances and the services we provide. We will deliver a balanced budget for this year – despite the issues we face – and, later in the year, we will consult with local people on a new five-year financial strategy which will aim to stabilise our long-term financial position.”

REPORT SUMMARY

This Statement provides a summary of the projected year-end revenue position as at Quarter 3, Month 9 (December 2019).

The year-end forecast recorded as part of December’s financial monitoring activity represents an adverse variance to budget of £2.7m. The Council is encountering significant cost pressures, which are being managed, but known total budget pressures of £13.721m exist, and includes £5.2m additional application of flexible use of capital receipts. Due to the Council’s financial position, an adverse budget variance is not viable.

This matter is a key decision which affects all Wards within the Borough.

RECOMMENDATIONS

- 1 To note the year-end forecast position at Quarter 3 of a £2.7 million adverse variance from budget.
- 2 To note the level of achievement of savings expected for 2019-20.
- 3 To note the revisions to the Medium Term Financial Strategy (MTFS) 2020-2025.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

1.1 Regular monitoring and reporting of the Revenue Budgets, savings achievements and MTFS position enable decisions to be taken faster which may produce revenue benefits and will improve financial control in Wirral Council.

2.0 OTHER OPTIONS CONSIDERED

2.1 No other options have been considered.

3.0 BACKGROUND INFORMATION

3.1 Revenue Budget and Forecast

3.1.1 The year-end forecast for revenue expenditure, recorded as part of December financial monitoring activity, represents an adverse variance from budget of £7.921m.

Table 1: Wirral Council 2019/20 Full Year Revenue Budget and Forecast Position

	Full Year				Previous Forecast Variance £m	
	Budget	Forecast	Variance			Adv/Fav
	£m	£m	(+ Fav, - Adv) £m	%		
Adult Care & Health	91.936	92.832	(0.896)	-1%	Adverse	(0.965)
Children	86.416	89.481	(3.065)	-4%	Adverse	(3.311)
Business Management	4.249	5.081	(0.832)	-20%	Adverse	(0.429)
Economic Housing Growth	29.411	29.270	0.141	0%	Favourable	0.292
Delivery	45.143	48.411	(3.268)	-7%	Adverse	(2.741)
Directorate Total	257.154	265.075	(7.921)	-3%	Adverse	(7.155)
Support / Admin Building Overhead	31.555	31.555	(0.000)	0%		(0.000)
Revenue Total	288.709	296.630	(7.921)	-3%	Adverse	(7.155)
Flexible Use of Capital Receipts (additional)	0.000	(5.221)	5.221			
Organisational Total	288.709	291.409	(2.700)	-1%	Adverse	

**An adverse variance is one where the forecast position is worse than the planned position, conversely, a favourable variance is where the forecast position is better than the planned position.*

3.1.2 Table 1 above summarises the forecast position across Directorates, but this does not illustrate the full cost pressures being encountered; additional, significant, cost pressures are being faced, which are being managed to ensure that the known total budget pressures of £13.721m do not come to fruition. Further details are shown in Table 2 below:

Table 2: Wirral Council 2019/20 Pressure Statement

Pressure Statement 2019/20	£m	£m
Forecast Adverse Revenue Position		(7.921)
<u>Pressures</u>		
Adult Care & Health	(5.200)	
Children's Complex Needs	(0.600)	
Total Budget Pressure		(13.721)

3.1.3 Corporate Directors are being supported to ensure that a balanced budget can be achieved by year-end. The main actions being undertaken are summarised in table 3.

Table 3: Summary of current 2019/20 action plan to mitigate budget gap

	Total	Adult Care & Health	Children	Business Management	Regeneration & Place	Delivery
	£m					
Gross Forecast Budget Pressure	(13.721)	(6,096)	(3,665)	(832)	141	(3,269)
<u>Actions in Progress</u>						
Use of Reserves (One off)	2.200	2.200				
Settlement of old year joint funded cases	0.600	0.600				
Full recovery of Third Party Top Ups	0.400	0.400				
Direct Payments Audit (Year End)	0.300	0.300				
Savings Achievable from Wirral Community foundation and Cheshire Wirral Partnership	1.700	1.700				
Shift of existing placement from residential care to in house provision	0.600		0.600			
Sub total	5.800	5.200	0.600	0.000	0.000	0.000
Flexible use of Capital Receipts (Additional)	5.221					
Net Forecast Budget Pressure	(2,700)	(896)	(3,065)	(832)	141	(3,269)

3.1.4 There is an action plan in place to address, in part, the unfavourable financial position being reported. There are also a series of actions being developed to improve the position further, which are associated with:

- Marketing activity to improve demand for leisure services;
- Marketing activity to improve garden waste subscriptions;
- Strategic transport review
- Assisted travel policy

The paragraphs that follow provide more detail about the drivers of the pressures and existing mitigations.

3.2 Revenue Budget Monitoring Position by Directorate

3.2.1 Adult Care and Health: Forecast - £0.896m Adverse Variance Position

3.2.2 The Quarter 3 financial forecast position remains broadly stable and consistent with the Quarter 2 forecast, although a small improvement is evident (£0.069m). Demand for services is the key driver of risk in Adult Care and Health and is the cause for the current adverse forecast position. Failure to achieve the corrective action that is in progress would result in a net budget deficit at year-end.

Since Quarter 2, budget adjustments have been made to better reflect funding arrangements within the Service (neutral impact across the Council) and to accommodate Council structure changes, with the Intelligence Team moving into Public Health Service Area.

Table 4: Adult Care and Health 2019/20 Full Year Revenue Budget and Forecast Position

	Full Year				Adv/Fav
	Budget	Forecast	Variance		
	£000	£000	(+ Fav, - Adv)	%	
Directorate Items					
Health & Care Outcomes	92,867	91,672	1,195	1%	Favourable
Integrated Commissioning Programme	(2,979)	253	(3,232)	-108%	Adverse
All Age Disability Service	1,552	457	1,095	71%	Favourable
Health & Wellbeing	496	451	45	9%	Favourable
Directorate (Surplus) / Deficit	91,936	92,832	(896)	-1%	Adverse
Support / Admin Building Overhead	3,549	3,549	0		
Total (Surplus) / Deficit	95,485	96,381	(896)	-1%	Adverse

3.2.3 Health & Care Outcomes

- There is an adverse forecast relating to care packages, due to increased demand for domiciliary care packages. This is partially mitigated by reduced demand for long-term residential care and direct payments.
- These pressures are offset by a favourable forecast relating to income. Due to an overall increase in demand for social care services, the income budgets for client charges and NHS joint funding are forecast to be in surplus. Additional grant income accounts for the remaining surplus balance.

3.2.4 Integrated Commissioning Programme

- A net forecast budget deficit of £3.232m has been recorded, caused by increasing demand and acuity in care packages. This is inclusive of mitigation through the anticipated use of £2.200m of social care reserves.

3.2.5 All Age Disability Programme

- The forecast budget surplus stems from staff vacancies and income from the national Social Care Support Grant.

3.2.6 Health & Wellbeing

- A minor, positive, forecast budget variance of £0.045m is evident here following Council structure changes – the Intelligence Team has moved into the Public Health Service Area. The favourable forecast within this area is due to vacancies within the team.

3.2.7 Children: Forecast - £3.065m Adverse Variance Position

3.2.8 The Children’s budget is forecast to be in deficit at year-end by £3.065m, caused primarily by increased demand for Looked After Children (LAC) placements. This is a favourable movement of £0.246m from previous reporting (£3.311m), which is mainly the result of improved income forecasts.

Table 5: Children 2019/20 Full Year Revenue Budget and Forecast Position

	Full Year				Adv/Fav
	Budget £000	Forecast £000	Variance £000	%	
Directorate Items					
Childrens Services	45,137	48,958	(3,821)	-8%	Adverse
Modernisation & Support	5,186	4,963	223	4%	Favourable
Early help & Prevention	10,384	10,090	294	3%	Favourable
Safer Wirral Hub	4,111	4,109	2	0%	Favourable
Schools - core	20,756	20,519	237	1%	Favourable
Schools - DSG	841	841	0	0%	
Directorate (Surplus) / Deficit	86,416	89,481	(3,065)	-4%	Adverse
Support / Admin Building Overhead	8,179	8,179	0		
Total (Surplus) / Deficit	94,594	97,659	(3,065)	-3%	Adverse

3.2.9 Children’s Social Care

- The average weekly rate for placements at 31st December is £3,389 a 4.3% decrease from 30th April 2019. This shows a favourable direction of travel and is a consequence of more robust commissioning practices
- The Department is currently reviewing all of its placements and assessing whether any can be transferred to more cost effective in-house foster care, which also has better outcomes for children.
- £0.365m of proposed efficiency savings are not expected to be achieved by year-end, causing a budget pressure, please see paragraph 3.3.3 for more information.

3.2.10 Modernisation & Support

- The favourable position of £0.223m that has been forecast relates to staff vacancies.

3.2.11 Early Help & Prevention

- Youth & Play Targeted is forecast to be in deficit by £0.020m due to a significant increase in rates in relation to the Response Building.
- Integrated Front Door Service is forecast to be in deficit by £0.180m due to the use of agency staff and work is underway to ensure that teams are resourced more efficiently in the future. Part of this relates to the Emergency Duty Team, whose new operating model will be implemented from 1st April 2020.
- Children's Centres are forecast to be in surplus by £0.122m due to administrative vacancies arising from an ongoing administration consultation and recruitment delays in the Creche Team.
- Family Matters is forecast to be in surplus by £0.219m due to staff not at the top of the pay grade and staff recruited later than planned in the financial year.
- Contextual Safeguarding is forecast to be in deficit by £0.157m due to the creation of the Complex Investigation Team. Some of this additional expenditure is being managed by vacancy controls put in place in the Compass and Outreach teams.
- Schools and Communities is forecast to be in surplus of £0.309m due to the delay in the implementation of the Pause Programme, which aims to reduce the demand for children's social care by working with women who are at risk of repeated pregnancies that result in children being removed from their care. This surplus has been offset by a reduced forecast for Wirral Attendance Service income. This service is aimed at supporting schools in managing the root causes of pupil non-attendance and is now predominantly delivered directly by schools.

3.2.12 Safer Wirral Hub

- The breakeven position in the Safer Wirral Hub is being supported by the use of the Brexit Reserve (£0.305m). Additional cost pressures have been incurred since the last period as a result of new remand cases.
- The Community Safety service is forecast to be in deficit as a result of the loss of income from some major clients; this is being mitigated by forecast surpluses in other Safer Wirral Hub areas; predominantly through vacancy control and supplies & services savings.

3.2.13 Schools Core

- There is a £0.237m favourable forecast variance in the Council funded elements of the schools' budget driven by in-year staffing vacancies across a range of services. Until the vacancies are filled, the organisation is at risk of non-compliance in statutory services, such as Special Education Needs Assessments. Recruitment is underway to address this.

3.2.14 Schools Dedicated Schools Grant (DSG)

- Schools are funded by a ringfenced grant. Ringfenced reserves are not taken into account in assessing the Councils ability to set a lawful balanced budget, and as such a DSG deficit would not need to be covered by an equivalent amount in general reserves.
- Work has been ongoing with the service to establish a projected cost for 2019/20 and a £3.821m adverse variance is anticipated against the ringfenced schools grant.
- The pressure has arisen due to the increased volume and complexity of SEND pupils. This has led to an increase in the number of Education Health & Care Plans (EHCPs), particularly in primary schools (2,600 units of funding in 2019 compared to 2,000 in 2018). There are also additional places required in special schools from September 2019, both maintained and independent.
- The forecast overspend would result in a call on DSG reserves of £3.821m if realised. However, at the end of 2018/19 there was only £2.209m remaining in the DSG reserves meaning the deficit would be £1.612m at the end of 2019/20.
- An additional £700m was announced as part of the government's autumn spending round. Any planned changes to service provision will be taken in consideration to the recommendations of the independent SEN review produced by Premier Advisory Group.
- In addition, individual school budgets are under increasing pressure, and although additional funding for schools was announced by central government, the impact of this is not yet clear. There was £8.890m remaining in the school balances reserve at the end of 2018/19, this leads to a likelihood that the reserve will reduce further by the end of 2019/20

3.2.15 Business Management: Forecast - £0.832 Adverse Position

3.3.16 The £0.832m forecast adverse position reported at Quarter 3, is an increase of £0.403m from the Quarter 2 forecast position (£0.429m). The adverse position is largely due to expectations that income budgets will not be fully achieved and increased costs from the Coroners Service will be incurred. Some pressures are forecast to be managed by employee vacancy savings.

Table 6: Business Management 2019/20 Full Year Revenue Budget and Forecast Position

	Full Year				
	Budget	Forecast	Variance		Adv/Fav
	£000	£000	(+ Fav, - Adv) £000	%	
Directorate Items					
Change & Organisational Design	5,014	5,114	(100)	-2%	Adverse
Finance & Investments	(20,621)	(20,746)	125	1%	Favourable
Commercial Management	(588)	(147)	(441)	-75%	Adverse
Strategic Commissioner Environment	16,485	16,485	0	0%	
Governance & Assurance	3,961	4,377	(416)	-11%	Adverse
Directorate (Surplus) / Deficit	4,249	5,081	(832)	-20%	Adverse
Support / Admin Building Overhead	0	0	0		
Total (Surplus) / Deficit	4,249	5,081	(832)	-20%	Adverse

3.2.16 Change & Organisational Design

- There is a £0.260m adverse variance in Communications and Marketing due to a shortfall in advertising income, both on roadside sites and the Wirral View publication. Wirral View has now closed to stop expenditure continuing. The overall position is mitigated by further recruitment delays in HR department and Digital as a result of the recruitment freeze, resulting in a £0.100m net adverse forecast variance.

3.2.17 Finance & Investment

- There is a £1.2m adverse forecast variance reported due to a reduction in the Housing Benefit Admin Grant from the Department of Work and Pensions (DWP), which is reduced each year and replaced with ad hoc grants. These are insufficient to replace the shortfall however. This pressure has been managed through a favourable variance within Employees due to part year staffing vacancies and the freeze on recruitment.
- £0.783m costs of pension strain contributions for employees who retired after April 2016 will be funded from the flexible use of capital receipts (FUCR).
- A £0.100m favourable variance is anticipated in Treasury Management, due to a reduction in interest payable and a small saving (£0.020m) relating to the employer pension contributions.

3.2.18 Commercial Management

- There is a £0.107m adverse forecast variance due to a projected shortfall of income within the Design Team, the team are not operating at full capacity due to staff vacancies. Recruitment for these roles are underway which are expected to improve income.

- There is also a predicted £0.334m shortfall in income as a result of customers largely choosing not to buy-back Wirral Council services, or not to continue to buy-back services following initial buy-back agreements having ceased.

3.2.19 Governance & Assurance

- The key driver for the deficit is within the Coroners service. The deficit position is due to an increase in accommodation costs, an increase in demand for the service and a change in the contractor used for the removals service. Currently the risk is not mitigated, but analysis is being undertaken with Liverpool City Council as this is a shared service, with the aim of reducing expenditure in future years.
- There is also £0.150m of agency costs included in the forecast that will be funded via the flexible use of capital receipts

3.2.20 Economic & Housing Growth: Forecast - £0.141m Favourable Variance Position

3.2.21 The Economic & Housing Growth Directorate now includes Culture and Visitor Economy, and a £0.141m favourable position is forecast, which is a £0.151m adverse movement from the forecast position at Quarter 2 (£0.292m).

Table 7: Economic & Housing Growth 2019/20 Full Year Revenue Budget and Forecast Position

	Full Year				Adv/Fav
	Budget £000	Forecast £000	Variance £000	%	
Directorate Items					
Major Growth & Housing Delivery	23,173	23,329	(156)	-1%	Adverse
Culture & Visitor Economy	1,477	1,672	(195)	-13%	Adverse
Corporate Director for Economic & Housing Growth	(5,193)	(5,264)	72	1%	Favourable
Regeneration & Inward Investment	989	989	0	0%	Favourable
Housing	8,965	8,545	420	5%	Favourable
Directorate (Surplus) / Deficit	29,411	29,270	141	0%	Favourable
Support / Admin Building Overhead	1,552	1,552	0		
Total (Surplus) / Deficit	30,962	30,821	141	0%	Favourable

3.2.22 Major Growth & Housing Delivery

- The adverse forecast expenditure of £0.156m is due to planning related expenses and has been updated with latest agency costs.
- Delivery of the Local Plan remains a key priority. Reserves have been set aside to cover the local plan costs, estimated cost of delivery is £1.400m in 2019/20, £0.200m in 2020/21 and £0.400m in 2021/22.

3.2.23 Culture and Visitor Economy

- The adverse position within Culture results from the Tour of Britain event, which will be funded from General Fund reserves. This is partially offset by a favourable variance on the successful events programme, as well as small staff savings resulting from the recruitment freeze.

3.2.24 Corporate Director for Economic & Housing Growth Management

- Favourable variance of £0.072m due to vacant Director post April to August 2019.
- Income of £3.65m was originally anticipated in 2019/20 from development within the Wirral Growth company. However, as the partnership with Muse has matured, the partnership agreement has been refocused to ensure any development is designed in consultation with residents, members and partners to ensure the maximum financial benefits can be realised for the Council. This may result in additional income being received in future years. This will be funded by a transfer from the Economic Growth reserve which was established to cover such delays in regeneration developments.

3.2.25 Housing Services

- The favourable position within Housing is forecast from the current cost of Supported Housing contracts based on current occupancy rates.

3.2.25 Delivery Services: Forecast - £3.268m Adverse Variance Position

3.2.26 The Adverse full year budget forecast for Delivery Services of £3.268m is largely due to income pressures and delays in implementing budget savings.

Table 8: Delivery 2019/20 Full Year Revenue Budget and Forecast Position

	Full Year				Adv/Fav
	Budget	Forecast	Variance		
	£000	£000	(+ Fav, - Adv) £000	%	
Directorate Items					
Community Services	14,332	15,553	(1,221)	-9%	Adverse
Delivery Services Management	187	189	(2)	-1%	Adverse
Highways & Streetscene Services	26,781	28,185	(1,404)	-5%	Adverse
Asset Management	3,843	4,484	(641)	-17%	Adverse
Directorate (Surplus) / Deficit	45,143	48,411	(3,268)	-7%	Adverse
Support / Admin Building Overhead	8,452	8,452	(0)		
Total (Surplus) / Deficit	53,595	56,863	(3,269)	-6%	Adverse

3.2.27 Community Services

- There remain ongoing pressures (£0.490m) within Sport & Recreation, these pressures are linked to the delayed building of a 3G pitch at Leasowe, the inability to realise commercial opportunities at the West Kirby Lake Sailing Centre facilities because of the delayed completion of the building improvements and the late delivery of a budget option to transfer the Beechwood Leisure Centre. The service is working to mitigate these pressures by utilising Commercial officers who have been appointed to the Service to improve demand for memberships and explore new income streams aimed at reducing this adverse pressure. The service is not likely to see a benefit from this work until next financial year. A number of capital projects have been approved and are progressing and more are being developed.
- The expectation of the 2019/20 budget was for the approved budget savings, relating to the transfer of operations at the Floral and two golf courses, to be fully achieved. However, continuing delays in the implementation of the Floral project and the Members recommendation to not proceed with the Golf Project will mean that the £0.66m saving target will not be realised in 2019/20.

3.2.30 Highways & Streetscene

- Due to demand not matching targets, car parking income is expected to fall short of the budget (£0.300m adverse). A comprehensive review of the transport strategy is being undertaken in this area to recommend improvements to Members.
- The termination of the Council's contract with Kingdom, which enforced fines for environmental breaches such as dog fouling, littering, trade waste and smoking offenses, has generated a budget shortfall (£0.500m adverse) within the Waste & Environment Service Area; alternative options are being reviewed with regard to environmental enforcement.
- The Garden Waste Subscription service is projected to underachieve against income by approximately £0.120m due to a reduction in take up compared to last year. This has improved from a projection of £0.200m at Quarter 2 due to the service attracting new subscribers through promotional activity and advertising. Action is being taken to reduce this deficit further.
- Highways Assets are showing £0.303m adverse position due to winter pressures (£0.151m) for gritting and unachieved income from development programmes (£0.155m). Both areas are subject to external factors.
- Assisted Travel (£0.270m adverse) is due to the increased demand for home to school transport and adult transport. There is currently a policy review of this area being undertaken to help address this organisation-wide issue of increasing demand.

3.2.31 Assets Management

- An adverse forecast variance of £0.641m has been recorded, driven by price increases from suppliers given mid-year.

3.3 Achievement of 2019/20 Savings

3.3.1 In March, Council approved £45m savings to balance the 2019/20 budget. As at Q3, £34.940m are achieved or expected to be achieved fully.

3.3.2 The remainder are partly achieved or require further work to ensure the full saving can be achieved by the end of the year.

3.3.3 Those at risk of not being delivered are:

- Children – Business Support Saving. This was originally planned to be delivered through a back-office review and restructure. The pressures in Children Social care mentioned in paragraph 3.2.9 puts this saving at risk of non-achievement.
- Children – Troubled Families Income. Changes in the funding assumptions have increased risk of the saving achievement, please see the comment in paragraph 3.2.9.
- Children – Looked After Children. The pressures in Children Social care mentioned in paragraph 3.2.11 puts this saving at risk of non-achievement.
- Transfer the Floral Pavilion to an expert provider - The saving was predicated on a full year saving of Revenue costs (£0.550m) and a capital receipt (£1.5m), which will not fully materialise in this financial year.
- Transfer of Golf courses to an expert provider – This decision has been reversed and the saving will not be realised (£0.11m)

3.3.4 Medium Term Financial Strategy (MTFS) 2020 - 2025 update

3.3.5 A separate report on the 2020/21 budget and Medium Term Financial Strategy is included for separate consideration by Cabinet.

4.0 FINANCIAL IMPLICATIONS

4.1 This is the Quarter 3 budget monitoring report that provides information on the revenue forecast outturn. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to Cabinet, the financial position is reported monthly at each Directorate Management Team and corporately at the Strategic Leadership Team (SLT). In the event of any early warning highlighting pressures and potential overspends, the SLT take collective responsibility to identify solutions to resolve these to ensure a balanced budget can be reported at the end of the year.

5.0 LEGAL IMPLICATIONS

5.1 The entire report concerns the duty of the Council to avoid a budget shortfall. The Chief Finance Officer has a personal duty under the Local Government Finance Act 1988 Section 114A to make a report to the executive if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources available to it to meet that expenditure.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are no implications arising directly from this report.

7.0 RELEVANT RISKS

7.1 The possible failure to deliver the Revenue Budget is being mitigated by:

- (i) Senior Leadership / Directorate Teams regularly reviewing the financial position.
- (ii) Availability of General Fund Balances.
- (iii) Acceleration of 2020/21

8.0 ENGAGEMENT/CONSULTATION

8.1 No consultation has been carried out in relation to this report.

9.0 EQUALITY IMPLICATIONS

9.1 No because this report is essentially a monitoring report on financial performance.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 This report has no impact on emissions of CO2

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APPENDICES

BACKGROUND PAPERS

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Budget Council	4th March 2019
Council Meeting	2nd September 2019