

WIRRAL COUNCIL

CABINET

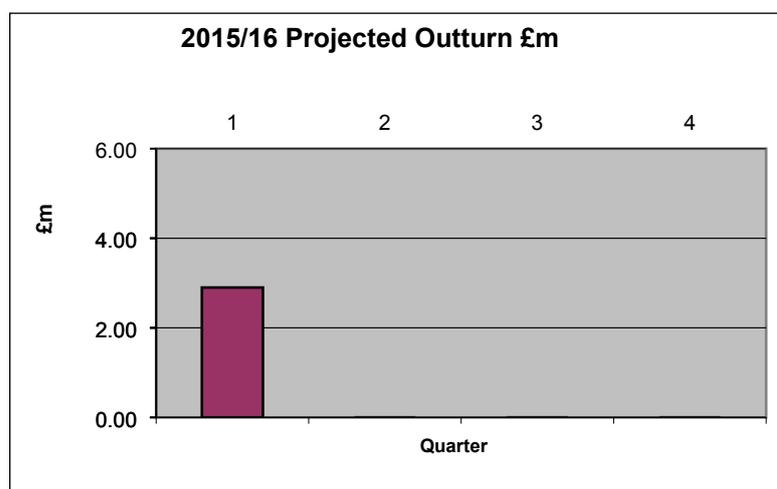
27 JULY 2015

SUBJECT	REVENUE MONITORING 2015/16 QUARTER 1 (APRIL-JUNE 2015)
WARD/S AFFECTED	ALL
REPORT OF	ACTING SECTION 151 OFFICER
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	YES

1 EXECUTIVE SUMMARY

- 1.1 This report sets out the projected revenue position for 2015/16 as at the end of June 2015. The 2015/16 revenue budget included a savings programme of £38 million. Progress is regularly reviewed and has identified that whilst over £28 million is deliverable in year some slippage has been identified. It is recommended that the 2015/16 budget be adjusted to reflect this through the use of Reserves and an element of the sum set aside in General Fund balances. This leads to a forecast overspend of £2.9 million primarily due to early indications of demand pressures on which further work will be undertaken to confirm, to seek mitigation and also a review of reserves in order to restore the General Fund balances to the required level.
- 1.2 The headline position is shown in the graph below.

Graph 1: Wirral Council – 2015/16 General Fund Variance



2 CHANGES TO THE AGREED BUDGET

- 2.1 The 2015/16 Budget was agreed by Council on 24 February 2015 and is detailed in Annex 2; any increase in the Budget has to be agreed by full Council. Changes to the Budget since it was set are summarised in Table 1.

Table 1: 2015/16 Original & Revised Net Budget by Directorate £000's

	Original Net Budget	Approved Budget Changes Prior Mths	Approved Budget Changes Quarter 1	Proposed Budget Changes Quarter 1	Revised Net Budget
FWB - Adult Social Care	68,305	-	134	2800	71,239
FWB – Children & Young People,	67,964	-	141	4400	72,505
FWB - Further Areas: Safeguarding, Schools, Leisure, Public Health	7,956	-	431	400	8,787
Regeneration & Environment	90,287	-	-664	-	89,623
Transformation & Resources	31,947	-	-556	-	31,391
Corporate Growth, Savings & Grant	-7,267	-	514	2000	-4,753
Net Cost of Services	259,192	-	-	9600	268,792

- 2.2 The Approved Budget Changes reflect the impact of the completion of the ongoing remodelling and restructuring of Council services. With structures finalised this sees adjustments between Children & Young People, Regeneration & Environment and the Corporate Growth, Savings and Grant budgets. Other movements as a consequence of the restructuring include the transfer of employee budgets between Directorates and the implementation of the Social Worker Progression Framework.
- 2.3 The Proposed Budget changes relate to the review of the savings programme and a realistic assessment of the deliverability of the savings in the current financial year. It is recommended that these be covered by the actions and recommendations set out in Table 5.
- 2.4 The Chancellor of the Exchequer announced on 4 June 2015 a series of in year savings to Government Department budgets. The Local Government Finance Settlement for 2015/16 remains unchanged. Whilst there are reductions in other areas the details are awaited. It is estimated that the reduction in the Department of Health resources may result in an in-year reduction in Wirral's Public Health Grant of up to £2.4 million.
- 2.5 The Chancellor delivered a Budget Statement on 8 July 2015. This was focussed upon welfare reform, which is likely to lead to increased demands for Council support and services, and included the National Living Wage. The latter increases provider costs, particularly within care services, which will lead to increased pressure on service providers to the Council and potentially increased contract costs.

3 PROJECTIONS AND KEY ISSUES

- 3.1 The projected outturn position as at the end of June 2015, key issues emerging and Directorate updates are detailed in the following section.

Table 2: 2015/16 Projected Budget variations by Directorate £000's

Directorates	Revised Budget	Forecast Outturn	(Under)	RAGBY Class	Change from prev
			Overspend		
			Quarter 1		
FWB - Adult Social Care	71,239	73,670	2,431	R	
FWB – Children & Young People	72,505	74,505	2,000	R	-
FWB - Further Areas: Safeguarding, Schools, Leisure, Public Health	8,787	8,787	0	G	
Regeneration & Environment	89,623	89,323	-300	B	-
Transformation & Resources	31,391	30,202	-1,189	Y	
Corporate Growth, Savings & Grant	-4,753	-4,753	0	G	-
TOTAL	268,792	271,734	2,942		-

The report classifies the forecast under/overspends for the above areas using a colour RAGBY rating. The ratings are defined as follows:

- Extreme: Overspends **Red** (over +£301k), Underspend **Yellow** (over -£301k).
- Acceptable: **Amber** (+£141k to +£300k), **Green** (range from +£140k to -£140k); **Blue** (-£141k to -£300k).

3.2 Directorate Updates

Families and Wellbeing: Adult Social Care

3.2.1 There is a shortfall, primarily within adult social care, of £2.8 million relating to delays in the implementation of a number of savings projects which are detailed in Table 4. There is a further £2.4 million in respect of demand pressures within a number of Community care areas for which further work is being undertaken to confirm the projection and identify mitigating actions.

3.2.2 To assist with budget delivery, a number of projects are being supported by the Improvement and Transformation Team. Saving Plans and profiles are being reviewed to identify mitigation and an Implementation Board has been established to review Day Services and challenge financial delivery targets. Further detailed work is being undertaken to further analyse the causes and impact of the demand pressures.

Families and Wellbeing: Children and Young People

3.2.3 The forecast shows a shortfall of £4.4 million against current savings (see Table 4) and pressures of £2.9 million which have partly been offset by £0.9 million of mitigation. The increased demands relate to commissioned services and agency costs and include additional foster allowance costs.

Families and Wellbeing : Other

- 3.2.4 The Budget, and the progress on delivery of change, is reviewed at the Directorate Senior Leadership Team meetings. With the Social Worker Progression Framework now implemented there is a rolling programme of recruitment to Social Work positions. Agency costs and placements are being reviewed and the implementation of the framework will enable progress to be made on the required changes. A Project Group meets to review numbers and the Strategic Plan for looked after children is identifying work to develop an adolescent unit and reduce agency foster care numbers/residential care.
- 3.2.5 **Leisure Services:** An adverse variance of £0.4 million is currently forecast relating to slippage against the leisure review saving. Further areas for mitigation will be identified and investigated.
- 3.2.6 **Public Health.** As referred to earlier in the report the Chancellor announced a reduction in the Health Budget which could see an in-year reduction of up to £2.4 million in the Public Health grant.

Regeneration and Environment

- 3.2.7 An underspend of £0.3 million is currently forecast relating to further contract efficiencies within Supported Housing.

Transformation & Resources

- 3.2.8 An underspend of £1.2 million is currently forecast. This is mainly within Treasury Management as a consequence of the continued use of internal funds to minimise the need to externally borrow and the projected slippage within the Capital Programme which delivers one-off in year savings.

Remodelling

- 3.2.9 The savings from remodelling totalled £10.9 million. Slippage is forecast at £2 million as a number of staff consultations have still to be concluded resulting in delayed implementation of savings.

4 IMPLEMENTATION OF SAVINGS

- 4.1 The delivery of the agreed savings is key to the Council's financial health and is tracked at both Council and Directorate level. The Budget for 2015/16 included £38 million of efficiency measures and it was recognised that the delivery of the savings, particularly within Adults and Children's Services was challenging being more of a transformational / change nature. In determining the level of General Fund balances the risk of slippage / non-delivery was assessed at £7.2 million.

Table 3: Budget Implementation Plan 2015/16 (£000's)

BRAG	Number of Options	Approved Budget Reduction	Amount Delivered at Q1	To be Delivered see T4
B - delivered	24	14,258	14,258	0
G – on track	19	3,016	2,193	823
A - concerns	19	16,739	1,260	15,479
R - high risk/ not achieved	6	4,011	0	4,011
Total at Quarter 1 2015-16	68	38,024	17,711	20,313

- 4.2 The savings tracker contains an assessment of the 2015/16 savings. The forecasted position includes overspends from the red rated savings. Within the amber rated projects a number will be delivered by the end of 2015/16 but will not fully deliver in year. Overall the latest projections indicate that over £28 million of the planned savings will be achieved with a £9.6 million shortfall forecast.

Table 4: Shortfall against the 2015/16 target

Department/Saving	Reasons for Delay	£m
Adult Social Care		
Extra Care Housing	Key housing provider withdrew and now looking for alternative providers and potential sites. Links to slippage in Capital Programme. Full saving slips to 2016/17.	1.3
Girtrell Court shared service	Working with partner provider to agree service specification prior to implementing the capital works for which funding is in the Capital Programme so to 2016/17.	0.3
Cost of Care	Projections are for overspending within Care services meaning the proposed saving will not be delivered in 2015/16. Work by the Directorate to address the pressures and deliver the savings for 2016/17 is on-going.	0.5
Day Services	New company established during 2015/16 Anticipated that 50% of savings deliverable in year with balance in 2016/17.	0.5
Continuing Health Care Appeals	Process involved negotiations on individual cases with progress being made but not as anticipated so partially deliverable in 2015/16.	0.2

Department/Saving	Reasons for Delay	£m
Children & Young People		
Specialist Services	Looked After Children numbers rising so potential overspend makes saving non-achievable in 2015/16. The Directorate are confident this is still deliverable over a longer timeframe given the structural changes now in place.	1.4
All Age Disability Service	The savings will be delivered but the timescales means the full £0.6 million will not be achieved this year.	0.4
Transport	Whilst numbers of Children & Adults receiving transport have reduced this saving will not be delivered without a fuller review of Transport options which will not be effective in 2015/16.	1.0
Children's Centres	Proposals being considered by Cabinet in July and following consultation the savings will be delivered from early 2016 leaving a shortfall in year.	1.2
Central Strategic services	Proposals to amend internal structures and policies still to be developed so will slip to 2016/17.	0.4
Leisure Review	Work continues of options to deliver the £1 million for 2015/16 including alternative provision but projected shortfall this year.	0.4
Remodelling	Of the overall £10.9 million programme £9.4 million agreed but there are staff consultations to be concluded resulting in delayed implementation.	2.0
Total Savings Slippage		9.6

4.3 In order to fund the slippage a series of actions have been recommended.

Table 5 : Actions to cover the shortfall in 2015/16

Use of	£m
Families & Wellbeing Reserve Established from the early delivery of savings by the Directorate in 2013/14 and held to meet potential shortfalls in delivery in future years	3.4
Remodelling Reserve Set up to meet the cost of remodelling and restructuring of the Council so can be applied to meet slippage in the delivery of remodelling savings	2.0
General Fund balances Included £7.2 million identified as being based on the risk of non-delivery of savings so part of this sum used to meet the balance of the shortfall	4.2
Total	9.6

4.4 The Directorates will work to identify compensatory savings which will be reported to Cabinet as part of the Monitoring report and these will be used to replenish the General Fund balances.

5 GROWTH

5.1 An allowance for the impact of demographic changes, inflation and other risks has been incorporated into the 2015/16 budget. Details of these allowances are contained within the Budget Book and Forecasts 2015/18 approved by Budget Council on 24 February 2015.

6 INCOME AND DEBT

6.1 Revenue and Income falls into four broad areas for reporting purposes. Amounts raised and collected in the year are shown below.

Table 6: Amount to be collected in 2015/16

	2015/16	2015/16	
	Collectable	Collected	%
	£000	£000	
Council Tax	139,663	38,739	27.7%
Business Rates	71,214	21,905	30.8%
Fees and charges – Adults & Children	29,165	9,611	33%
Fees and charges – all other services	26,314	16,445	63%

COUNCIL TAX

6.2 Compared with June 2014 the collection performance is down by 0.2% and recovery action has commenced with 28,168 reminders and 5,820 summonses issued to date.

6.3 The major change this year relates to the full removal of the local Pensioner Discount for 2015/16. This affected 11,482 Band A-D, 70+ households who previously received a 5% discount. In 2014/15 the discount from Band E-H households was removed with a reduction in the discount from 7.76% to 5%.

BUSINESS RATES

6.4 The % collected at June 2015 of 30.8% compares favourably with the 27.6% at June 2014.

6.5 The Government is undertaking a fundamental review of Business Rates including consultation with interested parties. It has been indicated that any changes would need to raise the same amount as Business Rates does now, some £27 billion and the Government has also indicated that it prefers a property based tax. The outcome of the review is expected to feature in the Government Budget 2016.

DEBTORS

- 6.6 At the end of June 2015 the arrears stood at £22.8 million which compares to £21.4 million at June 2014. With the date being a moment in time the timing of the sending of bills impacts upon the reported position particularly with month-end and year-end bills. Recovery action continues to be undertaken to minimise arrears and additional temporary staff will support this work.

7 RELEVANT RISKS

- 7.1 The possible failure to deliver the Revenue Budget is being mitigated by:
- Senior Leadership Team / Directorate Teams reviewing the financial position.
 - Tracking system of savings options to monitor progress.
 - Benefits Realisation Group monitors the delivery of key change projects.
 - Use of temporary additional support to assist with revenues collection.

8 OTHER OPTIONS CONSIDERED

- 8.1 Any option to improve the monitoring and budget accuracy will be considered.

9 CONSULTATION

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

10 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 10.1 There is an ongoing requirement to identify during the financial year necessary actions to mitigate any forecast overspend.

11 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 11.1 As yet there are no implications for voluntary, community or faith groups.

12 RESOURCE IMPLICATIONS: FINANCIAL, IT, STAFFING AND ASSETS

- 12.1 On 10 February 2015 Cabinet agreed to the level of General Fund balance for 2015/16 being based upon a risk calculation and a minimum of £17.4 million. The level is kept under review during the year to reflect changing circumstances and in-year developments.
- 12.2 As reported to Cabinet on 13 July 2015 the 2014/15 financial year saw an underspend of £0.5 million on the revenue budget, With the release of Insurance Fund Reserve this added £1.4 million to the balances at 31 March 2015.

- 12.3 As referred to in this report the delivery of the large savings programme brings significant risks of delay (slippage). The opening balance contained £7.2 million specifically against this risk of which £4.2 million is to be used to meet the in-year shortfall set out in Section 4.

Table 7: Summary of the projected General Fund balances

Details	£m
Balance 31 March 2015 when setting the Budget 2015/16	+17.4
Add; Increase following closure of 2014/15 Accounts	+1.4
Less Transfer to General Fund	-4.2
Less: Potential overspend at June 2015	-2.9
Projected balance 31 March 2016	+11.7

- 12.4 The requirement to replenish the General Fund balances to the minimum level will be addressed through Directorates identifying potential underspends in the current financial year together with a mid-year review of the Earmarked Reserves. The Reserves excluding School balances totalled £71.5 million at 1 April 2015. These include reserves relating to the cost of Council remodelling, mitigation and specific project support and ongoing financial risks.
- 12.5 There are no IT, staffing or asset implications arising directly out of this report.

13 LEGAL IMPLICATIONS

- 13.1 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.

14 EQUALITIES IMPLICATIONS

- 14.1 This report is essentially a monitoring report which reports on financial performance.

15 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

- 15.1 There are no implications arising directly from this report.

16 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 16.1 There are no implications arising directly from this report.

17 RECOMMENDATIONS

- 17.1 That the Revenue Budget 2015/16 be amended to reflect the re-profiling of the delivery of the savings programme with this funded through contributions from the Families & Wellbeing Reserve, Remodelling Reserve and General Fund balances.
- 17.2 That Officers identify actions to reduce the projected overspend of £2.9 million, to mitigate against any in-year funding reductions for Public Health and to replenish General Fund balances.
- 17.3 That the Financial Monitoring report be presented to Cabinet after the end of each quarter which is in line with Performance Management monitoring arrangements.

18 REASONS FOR THE RECOMMENDATIONS

- 18.1 The Council, having set a Budget at the start of the financial year, needs to ensure that the delivery of this Budget is achieved. Consequently there is a requirement to regularly monitor progress so that corrective action can be taken when required which is enhanced with the monthly reporting of the financial position.

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ANNEXES

Annex 1 General Fund Revenue Budget 2015/16
Annex 2 Income and Debt

SUBJECT HISTORY

Council Meeting	Date
Since September 2012 Revenue monitoring reports have been submitted to Cabinet. Budget Council	24 February 2015

GENERAL FUND REVENUE BUDGET 2015/16

ORIGINAL BUDGET AGREED BY COUNCIL ON 24 FEBRUARY 2015

Directorate/Service Area	Original Budget	Variances	Revised Budget
	£000	£000	£000
Expenditure			
Families and Wellbeing			
Adult Social Services	68,305	134	68,439
Children and Young People	67,964	141	68,105
Further Areas - Public Health, Schools, Sports and Recreation	7,956	431	8,387
Regeneration and Environment	90,287	-664	89,623
Transformation and Resources	31,947	-556	31,391
Net Cost of Services	266,459	-514	265,945
Corporate Growth	457	-400	57
Corporate Savings	-4,068	914	-3,154
Education Services Grant	-3,656	-	-3,656
Budget Requirement	259,192	-	259,192
Income			
Revenue Support Grant	64,281	-	64,281
Business Rates Baseline	33,266	-	32,266
Business Rates Top Up	41,287	-	41,287
Business Rates Section 31 Grants	2,193	-	2,193
Council Tax Requirement	114,210	-	114,210
Council Tax Freeze Grant	1,358	-	1,358
New Homes Bonus	2,597	-	2,597
Total Income	259,192	-	259,192
Statement of Balances			
As at 1 April 2015	17,400	1,400	18,800
Contributions to/from Balances	0	-	0
Forecast Balances 31 March 2016	17,400	1,400	18,800

Note:

This table will be updated for agreed variances during the year.

Balances as at 1 April 2015 updated following completion of the Accounts for 2014/15.

INCOME AND DEBT

The following shows the collection progress for Council Tax, Business Rates, Accounts Receivable and Benefits.

COUNCIL TAX

The following statement compares the amount collected for **Council Tax** in the period 1 April 2015 to 30 June 2015 with the amount collected in the same period in 2014/15:

	Actual 2015/16 £000s	Actual 2014/15 £000s
Cash to Collect	139,663	137,208
Cash Collected	38,739	38,330
% Collected	27.7%	27.9%

Council Tax Support Scheme

Council Tax benefits were abolished at the end of 2012/13 and replaced by Council Tax Support. £27 million is currently in payment and the numbers of awards as at 30 June 2015 are as follows:

Number of pensioners	15,066
Number of vulnerable (working age)	9,036
Number of working age	<u>11,826</u>
Number of Council Tax Support recipients	<u>35,928</u>

Council Tax Support claimants have dropped from 36,231 to 35,928 (303) since the beginning of the financial year.

Council Tax Discretionary Policy as at 30 June 2015

Period 1 April 2015 – 30 June 2015
1 award and 23 refusals in this period.

BUSINESS RATES

The following statement compares the amount collected for **National Non-Domestic Rates** for the period 1 April 2015 to 30 June 2015 with the amount collected for the same period in 2014/15:

	Actual 2015/16 £000	Actual 2014/15 £000
Cash to Collect	71,214	71,310
Cash Collected	21,905	19,714
% Collected	30.8%	27.6%

ACCOUNTS RECEIVABLE

The table below shows the directorates and amount of debt at each recovery stage:

Directorate Description	Less than 10 days	1st reminder	2nd reminder	3rd reminder	Total at 30.06.15
Chief Executive	£196,692	£8,903	£5,809	£785,378	£996,782
Neighbourhood	£30,899	£330	£330	£18,317	£49,876
Transformation & Resources	£1,753,349	£893,419	£98,023	£1,800,659	£4,545,450
Families & Wellbeing	£3,684,624	£1,198,955	£1,497,859	£9,757,775	£16,139,213
Regeneration & Environment	£493,817	£37,909	£87,859	£852,609	£1,472,194
Policy & Performance	£3,005	£0	£0	£1,600	£4,605
Totals	£6,144,677	£2,139,186	£1,691,421	£13,223,453	£23,198,737

The above figures are for invoices in respect of the period up to the end of June 2015. Payments as well as amendments such as write-offs and debt cancellations continue to be made after this date on all these accounts. There is a further deduction of £353,769 to be made for unallocated payments at month end leaving a balance of **£22,844,968**

BENEFITS

The following statement details the number of claimants in respect of benefit and the expenditure for Tenants and those in receipt of Council Tax Support up to 30 June 2015:

	2015/16	2014/15
Number of Private Tenant recipients	30,233	32,221
Total rent allowance expenditure	£38,615,749	
<i>Number under the Local Housing Allowance Scheme (included in the above)</i>	11,698	12,396
	£14,818,686	
Number of Council Tax Support recipients	35,928	37,578
Total Council Tax Support expenditure	£27,028,551	
Total expenditure on benefit to date	£65,644,300	

The following statement provides information concerning the breakdown according to client type as at 30 June 2015 and gives the early year numbers to show the shift in sector by benefit claimants during the year.

	30.06.15	31.3.15
Claimants in the Private Rented Sector	13,715	13,723
Claimants in the Social Rented Sector	16,518	16,271
Owner Occupiers	10,180	10,112
 Total claimants by age group		
- under 25 years old	2,213	2,238
- 25 – 60 years old	21,290	20,921
- over 60 years old	16,910	16,947

There are 40,413 benefit recipients in Wirral as at 30 June 2015.

Under Occupancy regulations

From 1 April 2013 property size criteria was introduced to working age tenants of social landlords (Registered Providers). Where a claimant is deemed to be occupying accommodation larger than they reasonably require, Housing Benefit is restricted:-

- By 14% in 2,550 cases
- By 25% in 628 cases

The number of claims affected does fluctuate. The numbers above are a snapshot at 30 June 2015

Housing Benefit Fraud and Enquiries – 1 April 2015 to 30 June 2015

New Cases referred to Fraud team in period	473
Successful Prosecution/Administration penalty/caution	26
Tenancy Fraud	0

Discretionary Housing Payments

The table profiles Discretionary Housing Payment (DHP) administration and associated spend. DHP is not a payment of Housing Benefit and is funded separately from the main scheme. Since the introduction of Welfare Reform and associated impacts, additional funding has been made available.

The Government contribution for 2015/16 is £736,570 with an overall limit of £1,841,425 which the Authority must not exceed. The difference must come from the Authority's own Expenditure. It was agreed to supplement the Government contribution by a Local Authority contribution of £300,000, giving a total budget in respect of 2015/2016 of £1,036,570.

The present level of spend is not reflective of a realistic position as the service area is currently dealing with a backlog of work items, including applications for Discretionary Housing Payment. The strain on the available budget remains high and is consistent with that in respect of 2014/2015, meaning that the fund will be fully utilised.

date	Number of awards	current awards	committed awards up to 31/03/2016	% spent (committed) of Govt cont
08/04/2015		£4,687.23	£40,158.74	4%
05/05/2015	864	£40,421.27	£70,031.94	7%
01/06/2015	934	£47,148.86	£94,694.10	9%
02/07/2015	1041	£103,253.24	£208,173.93	20%

Local Welfare Assistance

The Local Welfare Assistance Scheme was, up until March 2015, directly funded by Government grant.

The Council Budget 2015/16 includes £900,000 held in a reserve for this fund following the Government's decision to withdraw direct funding from 1 April 2015. The current scheme is in place until 31 July 2015 and a Task & Finish Scrutiny Review Panel have reviewed the position and reported to Cabinet their findings and recommendations on how the scheme should be taken forward from 1 August 2015.

The outcome being that the Council continues to administer and maintain the Local Welfare Assistance Scheme with the remaining budget available in line with the current scheme to 31 July 2015 and from August 2015 in line with the amended Scheme.

No. of Awards 2015/16		Total Awarded	Cumulative expenditure
April	673	£38,896.60	£38,896.60
May	564	£26,315.11	£65,211.71
June	754	£42,240.12	£107,451.83