



COUNCILLOR PHIL DAVIES

CABINET

18 JULY 2016

REVENUE MONITORING 2016/17

QUARTER 1 (TO JUNE 2016)

Councillor Phil Davies (Leader of the Council) said:

“Ensuring robust, transparent and effective management of our finances remains of the utmost importance. As national austerity policies continue, the responsibility falls on local government to ensure the services which residents rely on every day remain viable.

“Wirral Council once again has set a balanced and sustainable budget, and is committed to working hard throughout the year to ensure it is delivered. We are reporting a small variance and projected overspend this year – less than 0.5% of our revenue budget – and we remain confident we have the necessary plans and systems in place to quickly rectify this situation and once again deliver a balanced budget at the end of the financial year.”

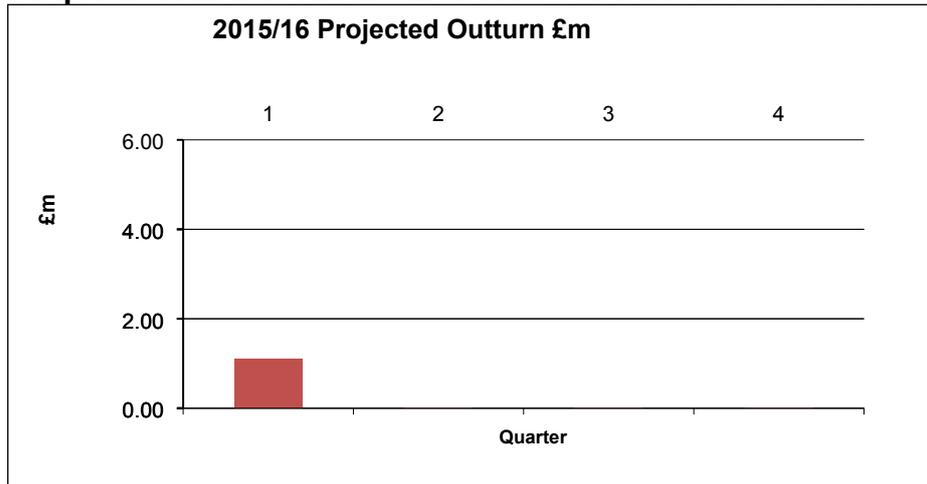
REPORT SUMMARY

This report sets out the projected revenue position for 2016/17 as at the close of quarter 1 (30 June 2016).

The latest position forecasts an overspend of £1.1 million for 2016/17. Council agreed a Revenue Budget Contingency of £12 million in anticipation of increasing pressures and the delayed delivery of previously agreed savings.

The headline position is shown in the graph.

Graph 1: Wirral Council – 2016/17 General Fund Variance



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

Recommendations

1. That the £11.1 million distribution of the Revenue Budget Contingency be approved.
2. That the use of £1.6 million of General Fund balances be referred to Council for approval.
3. That the receipt of £0.17 million of New Homes Bonus Returned Funding Grant which will be added to General Fund Balances be noted.
4. That the underspend of £1.3 million identified following the closure of the 2015/16 accounts being added to General Fund Balances be noted.
5. That Officers identify actions and take measures to reduce the projected overspend of £1.1 million and replenish General Fund balances.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 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 regular reporting of the financial position.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 This is a monitoring report but any options to improve the monitoring and budget accuracy will be considered.

3.0 BACKGROUND INFORMATION

3.1 CHANGES TO THE AGREED BUDGET

- 3.1.1 The 2016/17 Budget was agreed by Council on 3 March 2016. 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: 2016/17 Original & Revised Net Budget by Directorate £000's

| | Original Net Budget | Proposed Budget Change Quarter 1 Use of Contingency | Proposed Budget Change Quarter 1 Use of Balances | Revised Net Budget |
|--|---------------------|---|--|--------------------|
| | £ms | £ms | £ms | £ms |
| FWB - Adult Social Care | 71,311 | 3,900 | 1,500 | 76,711 |
| FWB – Children & Young People, | 67,773 | 5,000 | - | 72,773 |
| FWB - Further Areas: Safeguarding, Schools, Leisure, Public Health | 9,383 | - | 100 | 9,483 |
| Regeneration & Environment | 83,607 | - | - | 83,607 |
| Transformation & Resources | 24,730 | 500 | - | 25,230 |
| Corporate Growth, Savings & Grant | 7,791 | - 9,400 | | -1,609 |
| Net Cost of Services | 264,595 | - | 1,600 | 266,195 |

- 3.1.2 The revenue budget included within it a Contingency to mitigate the financial risks associated with demand pressures and the delivery of previously agreed savings.
- 3.1.3 Following a review of the financial position and having regard to the 2015/16 out-turn it is recommended that £11.1 million of the Revenue budget Contingency now be allocated. This relates to £3.9 million within Adult Social Services, £5 million in Childrens Services, £0.5 million for Transformation and Resources and £1.7 million in respect of corporate budgets.

- 3.1.4 After use to mitigate pressures and additional care fee costs, £0.9 million of the Revenue Budget Contingency will remain. The allocation of General Fund balances will increase the 2016/17 net cost of services budget by £1.6 million.
- 3.1.5 Cabinet on 6 June 2016 agreed Social Care Fees Setting proposals for 2016/17. The investment is £3 million above the current budget. £1.5 million transferred from the Revenue Budget Contingency and a call on General Fund Balances for the remaining £1.5 million.
- 3.1.6 The Passport for Life concession proposal was revoked after the budget was set in March 2016. The cost of this is approximately £0.1 million and is to be met from General Fund Balances in 2016/17.
- 3.1.7 The Department of Communities and Local Government (DCLG) on 23 May 2016 announced that Wirral would receive a grant payment of £0.17 million. This relates to a national allocation of unrequired monies originally top-sliced from formula grant to fund the New Homes Bonus scheme. This money will be added to General Fund Balances.
- 3.1.8 The closure of the 2015/16 Accounts resulted in an underspend of £1.3 million on the revenue budget. This amount has been added to General Fund Balances. Further details are in the Out-turn 2015/16 report on this agenda.

PROJECTIONS AND KEY ISSUES

- 3.2.1 The projected outturn position as at the end of June 2016, key issues emerging and Directorate updates are detailed in the following sections.

Table 2: 2016/17 Projected Budget variations by Directorate £000's

| Directorates | Revised Budget | Forecast Outturn | (Under) Overspend Quarter 1 | RAGBY Class | Change from prev |
|--|----------------|------------------|-----------------------------|-------------|------------------|
| FWB - Adult Social Care | 76,711 | 76,711 | 0 | G | - |
| FWB – Children & Young People | 72,773 | 76,073 | 3,300 | R | - |
| FWB - Further Areas: Safeguarding, Schools, Leisure, Public Health | 9,483 | 9,783 | 300 | G | - |
| Regeneration & Environment | 83,607 | 83,607 | 0 | G | - |
| Transformation & Resources | 25,230 | 22,730 | -2,500 | Y | - |
| Corporate Growth, Savings & Grant | -1,609 | -1,609 | 0 | G | - |
| TOTAL | 266,195 | 267,295 | 1,100 | | 0 |

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).

3.3 DIRECTORATE UPDATES

3.3.1 Families and Wellbeing: Adult Social Care

- Following the outcome of the implementation of the Care Cost review, including the impact of the National Living Wage and overnight allowances Cabinet on 6 June 2016 agreed to increase the investment in this service by £3 million as referred to in Section 3.1.6.
- There are a number of savings rated red or amber which are primarily prior year savings. Progress of these will be closely monitored. Resources were identified within, and have been allocated from, the Revenue Budget Contingency to offset the pressures in 2016/17.
- A number of on-going pressures exist around demographics and demand and the Directorate has identified mitigating actions to deal with the remaining pressures. However, these do present risks to the successful delivery of the budget in 2016/17.

3.3.2 Families and Wellbeing: Children and Young People

- There are a number of savings rated red or amber which are primarily prior year savings. Resources were identified within, and have been allocated from, the Revenue Budget Contingency to offset the pressures in 2016/17.
- The forecast overspend relates to significant pressures within looked after children, agency and transport and assumes the achievement of targets in respect of reductions in residential placements and agency staff.

3.3.3 Families and Wellbeing: Other

- Reversal of Passport for Life saving decision requires use of £0.1 million from General Fund Balances.
- Leisure budget pressures of £0.3 million relate to meeting previously agreed saving targets in respect of reduction in overall subsidy combined with new targets.
- Nothing to report at this stage in respect of Schools, Safeguarding and Public Health

3.3.4 Regeneration and Environment

- No variances forecast as yet. Number of areas which generated savings in 2015/16 were incorporated as savings within the 2016/17 Budget.
- As the year progresses underspends may emerge but at this stage outturn is protected to be as the Budget.

3.3.5 Transformation & Resources

- Overall underspend from pro-active treasury management activity including extended temporary internal borrowing being used to replace more expensive external borrowing.

- Asset Management forecasting £0.5 million overspend relating to the delivery of previously agreed savings. Resources were identified within, and have been allocated from, the Revenue Budget Contingency. The position may improve as the year progresses if income and Planned Preventative Maintenance spend is similar to the levels in 2015/16.

3.4 IMPLEMENTATION OF SAVINGS

3.4.1 Savings of £31 million were agreed when setting the 2016/17 Budget. A further £10 million of savings relating to previous years savings had not been implemented. Cabinet in July 2015 agreed to re-profile £9.6 million of the 2015/16 savings to 2016/17, whilst a further £0.6 million was unachieved by March 2016. An analysis of the position of the £41 million of savings has been undertaken and is summarised below.

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

| RAG | Total identified Shortfall from 2015/16 and prior | Pre-Agreed 16/17 | Agreed in 2016/17 | Total |
|--------------|---|------------------|-------------------|---------------|
| Red | 5,400 | 460 | 3,205 | 9,065 |
| Amber | 1,592 | 1,420 | 1,365 | 4,377 |
| Green | 3,200 | 940 | 401 | 4,541 |
| Blue | - | 300 | 23,452 | 23,752 |
| TOTAL | 10,192 | 3,120 | 28,423 | 41,735 |

3.4.2 The savings tracker contains an assessment of the 2016/17 savings.

- **Blue:** Represents £23.7 million of savings (57% of total) which have already been realised.
- **Green:** Savings on track to deliver
- **Amber:** Some concerns regarding delivery and will require closer scrutiny and monitoring and includes savings within Adults, Children and Asset Management.
- **Red:** Concerns although largely covered by Revenue Budget Contingency as detailed earlier in the report. Comprised of Children's (£4.3 million), Adults (£1.1million) and Remodelling (£1.7 million).

3.5 INCOME AND DEBT

3.5.1 Revenue and Income falls into four broad areas for reporting purposes. Amounts raised and collected in the year are shown in Table 4.

Table 4: Amount to be Collected in 2016/17

| | 2016/17 | 2016/17 | |
|--------------------------------------|--------------------|------------------|----------|
| | Collectable | Collected | % |
| | £000 | £000 | |
| Council Tax | 146,136 | 40,444 | 27.7% |
| Business Rates | 76,389 | 22,392 | 29.3% |
| Fees and charges: Adults & Children | 24,957 | 9,492 | 38.0% |
| Fees and charges: all other services | 23,350 | 13,853 | 59.3% |

COUNCIL TAX

- 3.5.2 Compared with June 2015 the collection performance is the same in percentage terms but in terms of cash received an additional £1.7 million has been collected. The following table compares the amount collected for Council Tax in the period 1 April 2016 to 30 June 2016 with the amount collected in the same period in 2015/16:

Table 5 Council Tax Comparatives

| | Actual | Actual |
|-----------------|----------------|----------------|
| | 2016/17 | 2015/16 |
| | £000s | £000s |
| Cash to Collect | 146,136 | 139,662 |
| Cash Collected | 40,444 | 38,739 |
| % Collected | 27.7% | 27.7% |

- 3.5.3 The major change this year relates to a 4% increase in the amount collectable of which 2% is for Adult Social Care. Overall Council Tax levels are £6.5 million more than this time last year. There has been a reduction in numbers eligible for Council Tax Support over the last 12 months which increases the number of people who may face difficulties in paying this additional cost.

BUSINESS RATES

- 3.5.4 Cash received to 30 June 2016 is up by £0.4 million on the equivalent period a year ago. The percentage collected to date however is lower due to the timing of in year receipts from some large properties. Business Rate levels collectable are £4.5 million than this time last year reflecting increases to the valuation list.
- 3.5.6 The table compares the amount collected for the period 1 April 2016 to 30 June 2016 with the amount collected for the same period in 2015/16:

Table 6: National Non-Domestic Rates Comparatives

| | Actual | Actual |
|-----------------|----------------|----------------|
| | 2016/17 | 2015/16 |
| | £000s | £000s |
| Cash to Collect | 76,389 | 71,215 |
| Cash Collected | 22,392 | 21,905 |
| % Collected | 29.3% | 30.8% |

3.5.5 Wirral is part of the Liverpool City Region Business Rates Retention pilot scheme. It is expected that next year we may retain 100% of all Business Rates collected; the figure is currently 49%. Any increase in income will however likely be offset by reduction/cancelling of Government grants and the transfer to Wirral of additional responsibilities. The DCLG have stated that pilot authorities will not be financially disadvantaged by being part of the pilot. Wirral currently receives more in the centrally allocated NNDR 'top-up' grant than its proportion of collectable NNDR.

DEBTORS

3.5.7 At the end of June 2016 the arrears stood at £25.2 million. The table provides an analysis across service areas and the amount of debt at each recovery stage:

Table 7: Accounts Receivable Outstanding Arrears Analysis

| Directorate Description | Less than 10 days | 1st reminder | 2nd reminder | 3rd reminder | Total at 30.06.16 |
|----------------------------|-------------------|------------------|----------------|-------------------|-------------------|
| | £ | £ | £ | £ | £ |
| Chief Executive | 84,847 | 2,181 | 17,678 | 928,456 | 1,033,162 |
| Neighbourhood | 40,662 | 0 | 5,316 | 12,843 | 58,821 |
| Transformation & Resources | 6,037,312 | 722,184 | 167,242 | 1,285,860 | 8,212,598 |
| Families & Wellbeing | 4,049,227 | 669,452 | 480,082 | 9,901,379 | 15,100,140 |
| Regeneration & Environment | 633,779 | 33,932 | 81,185 | 323,928 | 1,072,824 |
| Policy & Performance | 0 | 0 | 0 | 121,353 | 121,353 |
| Totals | 10,845,827 | 1,427,749 | 751,503 | 12,573,819 | 25,598,898 |

3.5.8 The above figures are for invoices in respect of the period up to the end of June 2016. 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 £362,995 to be made for unallocated payments at month end leaving a balance of **£25,235,903**

4.0 FINANCIAL IMPLICATIONS

4.1 On 22 February 2016 Cabinet agreed to the level of General Fund balance for 2016/17 being based upon a risk calculation and a minimum of £11.5 million. The level is kept under review during the year to reflect changing circumstances and in-year developments.

4.2 As reported elsewhere on this Cabinet agenda the 2015/16 financial year saw an underspend of £1.3 million on the revenue budget which will be added to balances. A further £0.2 million will be added from the receipt of returned New Homes Bonus grant which was top-sliced from the finance settlement by the DCLG.

- 4.3 As referred to in this report above £1.5 million of balances are required for funding 2016/17 care fees and a further £0.1 million to fund the passport for life saving reversal,

Table 8: Summary of the Projected General Fund Balances

| Details | £m |
|--|-------------|
| Balance 31 March 2016 when setting the Budget 2016/17 | +11.5 |
| Add; Additional Returned New Homes Bonus Grant | 0.2 |
| Add: Increase following closure of 2015/16 accounts | 1.3 |
| Less: Allocation for care fees | -1.5 |
| Less: Reversal of passport for life budget option | -0.1 |
| Projected Balance Excluding Current Year Projection | 11.4 |
| Less: Potential overspend at June 2016 | -1.1 |
| Projected Balance 31 March 2017 | 10.3 |

- 4.4 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 £58.8 million at 1 April 2016. These include reserves relating to the cost of transformation, mitigation of future financial risks and specific project support.
- 4.5 There are no IT, staffing or asset implications arising directly out of this report.

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; ICT, STAFFING 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:
- 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.
 - Use of earmarked reserves and General Fund Balance savings risk contingency

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITIES IMPLICATIONS

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

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SUBJECT HISTORY

| Council Meeting | Date |
|------------------------|--------------|
| Budget Council | 3 March 2016 |