

Wirral

OVERVIEW AND SCRUTINY COMMITTEES

MARCH 2016

REPORT TITLE	REVENUE MONITORING 2016/17 QUARTER 3
REPORT OF	ASSISTANT DIRECTOR : FINANCE (SECTION 151 OFFICER)

REPORT SUMMARY

This report sets out the projected revenue position for 2016/17 as at the end of quarter 3 (31 December 2016). This is the first quarter that the projections are also shown on the New Operating Model and the Wirral Plan Themes structures. This replaces the previous format based on Directorate structures.

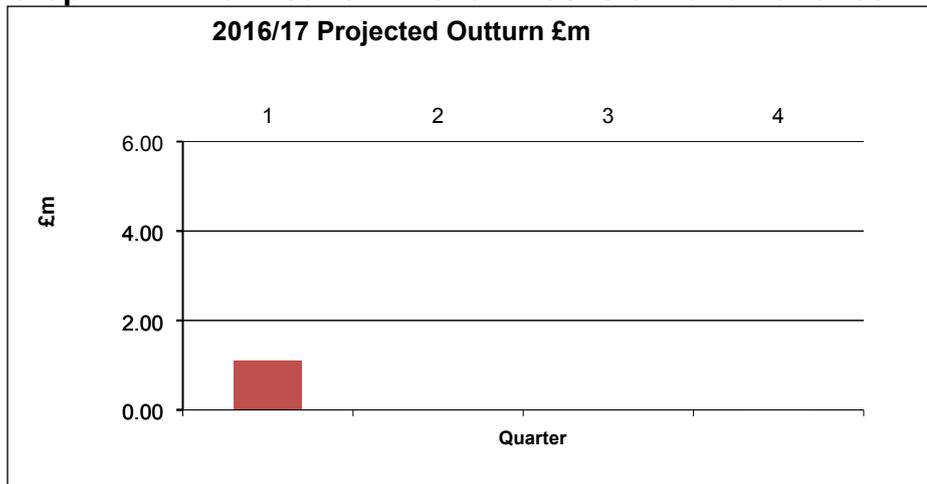
The latest forecast is an underspend of £0.4 million for 2016/17 being an improvement of £0.2 million on the quarter 2 forecast (£0.2 million underspent).

On a Wirral Plan themes basis there are large overspends within the People theme. This relates to Childrens Services £5.3 million and Adult Services £3.4 million. These have been compensated with by savings within Environment and a significant £8.7 million contribution from Treasury Management within Business which relates to benefits gained from a revised Minimum Revenue Provision policies and interest savings.

On an Operating Model basis there are overspends in the Strategic Hub and Children's Services Functions. The Treasury Management adoption of the annuity method for calculating Minimum Revenue Provision (MRP) in respect of capital financing has contributed a significant one-off saving in 2016/17 and compensates for the overspends elsewhere in the 2016/17 budget.

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 The Quarter 3 forecast year end underspend of £0.4 million, which contains a number of significant variances, be noted.
- 2 Officers identify actions and take measures to assist to reduce the impact of the projected overspends.

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 the delivery of this Budget is achieved. Consequently there is a requirement to regularly monitor progress so 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. In Tables 1 and 2 below are the budgets since the application of the new structures and any changes in the quarter since then.

Table 1: 2016/17 Original & Revised Net Budget by Wirral Plan Themes

	Original Net Budget	Approved Budget Changes Prior Qtrs	Approved Budget Changes Qtr 3	Revised Net Budget
	£000	£000	£000	£000
People	152,155	1,500	2,637	156,292
Environment	58,578	100	4,666	63,344
Business	53,862	-	7,303	46,559
Net Cost of Services	264,595	1,600	-	266,195

Table 2: 2016/17 Original & Revised Net Budget by New Operating Model

	Original Net Budget	Approved Budget Changes Prior Qtrs	Approved Budget Changes Qtr 3	Revised Net Budget
	£000	£000	£000	£000
Chief Executives Unit	265	-	-	265
Children Services	44,197	-	-617	43,580
Transformation	655	-	-	655
Strategic Hub	123,768	1,500	2,628	127,896
Business Services	23,799	-	2,784	21,015
Delivery	74,596	100	2,199	76,895
Corporate Growth and Savings	-2,685	-	1,426	-4,111
Net Cost of Services	264,595	1,600	-	266,195

3.1.2 The prior period budget change includes the £1.6 million call on General Fund Balances approved by Council on 17 October 2016 in respect of Care Fees and Passport for Life. The changes also reflect the allocation of £11.1 million of the Revenue Budget Contingency agreed by Cabinet 18 July 2016. This saw £3.9 million to Adult Social Services, £5 million to Children's Services, £0.5 million for Transformation and Resources and £1.7 million in respect of corporate budgets.

3.1.3 Table 1 shows the budget separated by Wirral Plan Themes which links with monitoring by the Overview and Scrutiny Committees. The movements in quarter 3 are adjustments within the Themes to show refinements to where services are placed. There is no change to the bottom line budget from this.

3.1.4 A New Operating Model for the Council was agreed by Employment & Appointments Committee on 25 July 2016. Indicative budgets were reported within the 8 December 2016 monitoring report. The New Operating Model budget in Table 2 shows the original budget re-allocations on a full year basis with a column showing adjustments for quarter 3. The movements in quarter 3 show refinements to where services are placed and report within the model. There is no change to the bottom line budget from this. The Model commenced from 1 November 2016.

3.2 PROJECTIONS AND KEY ISSUES

3.2.1 The projected outturn position as at the end of December 2016, key issues emerging and New Operating Model and Wirral Plan: 2020 Vision Themes updates are detailed in the following sections.

Table 3: 2016/17 Projected Budget variations by Wirral Plan Themes

Directorates	Revised Budget	Forecast Outturn	(Under) Overspend Quarter 3	RAGBY Class	Change from prev
People	156,292	165,140	8,848	R	n/a
Environment	63,344	62,677	-667	Y	n/a
Business	46,559	37,994	-8,565	Y	n/a
TOTAL	266,195	265,811	-384		0

Table 4: 2016/17 Projected Budget variations by NOM

Directorates	Revised Budget	Forecast Outturn	(Under) Overspend Quarter 3	RAGBY Class	Change from prev
Chief Executives Unit	265	265	0	G	n/a
Children Services	43,580	48,166	4,586	R	n/a
Transformation	655	655	0	G	n/a
Strategic Hub	127,896	131,343	3,447	R	n/a
Business Services	21,015	12,795	-8,220	Y	n/a
Delivery	76,895	77,698	803	R	n/a
Corporate Growth and Savings	-4,111	-5,111	-1,000	Y	n/a
TOTAL	266,195	265,811	-384		0

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

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

3.3 WIRRAL PLAN THEMES UPDATES

3.3.1 People

- The forecast overspend of £8.8 million in this theme are due to demand pressures - in the adults and children's activity areas.
- Adult Social Care Budgets across the country are under pressure with local authorities, public sector agencies and private providers all highlighting concerns to government.
- Adults financial issues are predominately around Community Care and increased demand for services and unachieved savings in 2016/17 within Adult Social Care are the causes of the projected overspend of £3.4 million.
- In Children's Services increased agency expenditure of £2.1 million and care packages of £3.1 million in Children's Care are the major cause of the overspend of £5.3 million. Integrated transport is also forecasting a £0.5 million overspend.
- The adequacy of funding for Children's Social Care is a national issue with over 75% of local authorities reporting projected overspends in the current financial year. Wirral has invested a further £2 million into this area from the Transformation Fund during 2016/17. Actions being undertaken in response to Wirral's OFSTED inspection of Childrens Social Care also require additional expenditure to be incurred and resourcing identified.

3.3.2 Environment

- The main elements of the projected underspend are:-
- The early delivery of contract efficiencies expected in 2017/18 through the reconfiguration and negotiation with providers within supported housing £0.5 million.
- Additional income of £0.6 million from increased numbers of people subscribing to the Garden Waste Collection service and litter enforcement action, in particular greater than expected amounts received from court action.
- Leisure Services are projecting an overspend of £0.45 million from a combination in shortfall of increased income and agreed savings targets. However this is an improvement of £50,000 on the previous quarter's reported position.

3.3.3 Business

- This underspend is largely due to one-off savings from Treasury Management activities totalling £8.7 million and in particular the Minimum Revenue Provision adjustment and interest savings as reported in quarter two.

- Additional savings are also being made from vacant posts and supplies and services budgets.
- There are some adverse variances in respect of Asset Management costs £0.5 million in respect of savings implementation and a further £0.5 million within legal services in respect of external legal fees and coroner budgets.

3.4 NEW OPERATING MODEL UPDATES

3.4.1 Children Services

- The forecast overspend of £4.6 million. It should be noted that this figure is different to the higher Childrens figure in 3.3.1 above in the People theme as Integrated Transport and Disability Services do not report under Childrens Services in the New Operating Model structure.
- The overspend is mostly within Children’s Social Work Services and Looked after Children commissioned services. The Looked After Children budget now supports 1,266 packages of care which is an increase of 96 from the beginning of this financial year. The additional service demands lead to an estimated £3.1 million overspend at year end.
- Projected overspend in Children’s Social Work Services of £2.1 million is due to the increased employee costs relating to agency social workers.

3.4.2 Strategic Hub

- Forecast overspends in this area are due to increased demands for services and unachieved savings in 2016/17 within Health & Care.
- Adult Social Care package costs are reported within this area of the budget and are reporting an overspend of £3.4 million. The staffing and operational costs of providing care services falling either within Business Services and/or the Delivery functions.

3.4.3 Business Services

- An underspend of £8.2 million is forecast within this area. This relates to two underspending areas in Finance and Commissioning Support. This underspend is reduced by overspends in Law & Governance and Assets.
- Within Finance this is largely due to the one-off Minimum Revenue Provision adjustment in treasury management approved and investment savings of £8.7 million as reported in quarter two.
- Commissioning Support is forecasting an underspend from a combination of areas. Additional income from increased numbers of people subscribing to the Garden Waste Collection service and from litter enforcement action is likely to provide £0.6 million of additional income.
- Within Law & Governance there is a forecast overspend mainly due to external legal fees relating to Children’s Services.

3.4.4 Delivery

- The forecast overspend is £0.8 million and is a combination of an overspend in Community Services and an underspend within Environmental Services.
- In Community Service there is a projected £1.3 million projected overspend. This comprises £0.45 million in Sport & Recreation from shortfalls in the achievement of previous savings and reductions in golf income due to delays in the golf staffing restructure, an overspend in Integrated Transport of approximately £0.5 million from unachieved savings and other variances including £150,000 for the Floral Pavilion.
- In Environmental Services the main element of this projected underspend is £0.5 million in respect of the early delivery of contract efficiencies expected in 2017/18 through the reconfiguration and negotiation with providers within supported housing.

3.4.5 Corporate Growth and Savings

- A further £1 million of savings has been identified in respect of contractual savings. This has been placed against corporate savings and will be transferred and reflected in Directorate budgets for future reports.

3.5 IMPLEMENTATION OF SAVINGS

3.5.1 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 which followed Cabinet in July 2015 agreeing 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 in the table.

Table 5: Budget Implementation Plan 2016/17 (£000's)

RAG	Total identified Shortfall from 2015/16 and prior	Pre-Agreed 16/17	Agreed in 2016/17	Total
Red	5,500	560	3,265	9,325
Amber	1,392	1,200	1,376	3,968
Green	3,300	990	-973	3,317
Blue	-	370	24,755	25,125
TOTAL	10,192	3,120	28,423	41,735

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

- **Blue:** Represents £25.1 million of savings (60%) of total) which have already been realised.
- **Green:** Savings on track to deliver

- **Amber:** Some concerns regarding delivery and includes savings within Adults, Children and Asset Management.
- **Red:** Concerns largely covered by Revenue Budget Contingency as allocated in quarter 1 comprised of Children's (£5 million), Adults (£3.9 million), Transformation (£0.5 million) and Corporate (£1.7 million).

3.6 INCOME AND DEBT

3.6.1 Revenue and Income falls into four broad areas for reporting purposes. Amounts raised and collected in the year are shown in Table 6.

Table 6: Amount to be Collected in 2016/17

	2016/17	2016/17	2016/17
	Collectable	Collected	Collected
	£000	£000	%
Council Tax	146,535	119,708	81.7
Business Rates	76,291	61,514	80.6
Fees & charges: Adults & Children	42,225	25,235	59.8
Fees & charges: All other services	46,736	35,707	76.4

COUNCIL TAX

3.6.2 Compared with December 2015 the collection performance is higher in both percentage terms and cash received. An additional £5.5 million has been collected. The table compares the amount collected in the period 1 April 2016 to 31 December 2016 with the same period in 2015/16:

Table 7 : Council Tax Comparatives

	Actual	Actual
	2016/17	2015/16
	£000	£000
Cash to Collect	146,535	140,136
Cash Collected	119,708	114,253
% Collected	81.7%	81.5%

3.6.3 The major change this year relates to a 3.99% increase in the amount collectable of which 2% is for Adult Social Care. Overall Council Tax levels are £6.3 million more than this time last year. There has been a reduction in numbers eligible for Council Tax Support over the last 12 months.

BUSINESS RATES

3.6.4 Cash received to 31 December 2016 is up by £3.1 million on the equivalent period a year ago. The percentage collected to date is slightly lower. Business Rate levels collectable are £5 million higher than last year reflecting an increased number of properties on the valuation list.

3.6.5 The table compares the amount collected for the period 1 April 2016 to 31 December 2016 with the amount collected for the same period in 2015/16:

Table 8: National Non-Domestic Rates Comparatives

	Actual	Actual
	2016/17	2015/16
	£000	£000
Cash to Collect	76,291	71,349
Cash Collected	61,514	58,385
% Collected	80.6%	81.8%

3.6.6 Wirral is part of the Liverpool City Region Business Rates Retention pilot scheme. It is expected that next year we will retain 100% of Business Rates collected; the figure is currently 49%. Any increase in income will however be offset by reduction/cancelling of Government Grants and the transfer to Wirral of additional responsibilities. The Government have stated that pilot authorities will suffer 'no detriment' by being part of the pilot. Wirral currently receives more in the centrally allocated NNDR 'top-up' grant than its proportion of collectable NNDR.

3.6.7 New Rateable Values (RV) will be effective nationally from 1 April 2017. The new RVs combined with the reduced multiplier used to determine bills and 'no detriment' guarantee from participation in the pilot scheme makes a significant change to the Council's financial position unlikely at this stage.

DEBTORS

3.6.8 At the end of December 2016 the arrears stood at £22.7 million. The table provides an analysis across the former service areas and the amount of debt at each recovery stage:

Table 9: Accounts Receivable Outstanding Arrears Analysis

Directorate Description	Less than 10 days	1st reminder	2nd reminder	3rd reminder	Total at 31.12.16
	£	£	£	£	£
Chief Executive	122,792	26,070	19,170	970,019	1,138,051
Neighbourhood	34,948	3,406	449	8,709	47,512
Transformation & Resources	3,105,980	726,633	56,147	1,160,764	5,049,524
Families & Wellbeing	4,388,711	1,024,576	143,451	10,281,753	15,838,491
Regeneration & Environment	594,023	101,294	132,372	320,807	1,148,496
Totals	8,246,454	1,881,979	351,589	12,742,052	23,222,074

3.6.9 The figures are for invoices in respect of the period up to the end of December 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 £500,295 to be made for unallocated payments leaving a balance of **£22,721,779** compared to £23,573,391 last year.

4.0 FINANCIAL IMPLICATIONS

4.1 The estimated General Fund Balance position is calculated in the table below

Table 10: 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 underspend at December 2016	0.4
Projected Balance 31 March 2017	11.8

4.2 The projected General Fund balance of £11.8 million at 31 March 2016 is in line with the minimum level required as agreed as part of the Budget 2016/17.

4.3 As part of the Budget 2017/18 preparation there is to be a 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.

4.4 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.
 - 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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APPENDICES

Appendix 1 General Fund Revenue Budget 2016/17

SUBJECT HISTORY

Council Meeting	Date
Budget Council	3 March 2016
Cabinet – Revenue Monitoring 2016/17 Quarter 1	18 July 2016
Cabinet – Revenue Monitoring 2016/17 Quarter 2	8 December 2016
Council	19 December 2016

APPENDIX 1

GENERAL FUND REVENUE BUDGET 2016/17

REVISED NOM BUDGET AGREED BY COUNCIL ON 19 DECEMBER 2016

Department	Agreed Budget	Changes Agreed	Budget Changes Q3	Revised Budget
	£000	£000	£000	£000
Expenditure				
Chief Executives (including Children's)	44,462	-	-617	43,845
Transformation	655	-	-	655
Strategic Hub	123,768	1,500	2,628	127,896
Business Services	23,799	-	-2,784	21,015
Delivery	74,596	100	2,199	76,895
Net Cost of Services	267,280	1,600	1,426	270,306
Corporate Savings/Growth	371	-	-1,426	-1,055
Education Services Grant	-3,156	-	-	-3,156
Revenue Budget Contingency	100	-	-	100
Budget Requirement	264,595	1,600	-	266,195
Income				
Revenue Support Grant	50,710	-	-	50,710
Top Up	41,630	-	-	41,630
New Homes Bonus	3,178	-	-	3,178
Business Rates Baseline	34,828	-	-	34,828
Business Rates Section 31 Grants	2,193	-	-	2,193
Council Tax Requirement	120,274	-	-	120,274
Contribution from Balances & Reserves	11,782	1,600	-	13,382
Total Income	264,595	-	-	266,195
Statement of Balances				
As at 1 April	11,500	-	-	11,500
Contributions to Balances		1,500	-	-
Contributions from Balances		-1,600	-	-
Potential underspend at Dec 2016		400	-	-
BALANCES	11,500	-	-	11,800

Notes:

1. Contribution to Balances relate to closure of accounts 2015/16 (£1.3 million) and returned New Homes Bonus grant (£0.2 million)
2. Contributions from Balances relate to Care Fees contribution (£1.5 million) and reversal of passport for life saving (£0.1 million)