



CLLR JANETTE WILLIAMSON

CABINET

17 JULY 2017

REVENUE MONITORING 2017/18

QUARTER 1 (TO JUNE 2017)

Councillor Janette Williamson (Cabinet Member for Finance and Income Generation) said:

‘Ongoing national austerity policies continue to place huge pressure on local government, particularly in relation to social care services. We are continuing to see hugely increased demand for these services, which brings with it significant costs to the organisation.

‘The Council continues to plan and manage its budget in a sustainable way, whilst anticipating there will be fluctuations in requirements and the subsequent demands on the budget. This is why the Revenue Budget Contingency was made available. It helps mitigate the enormous demands on our services and why we are able to react to changing circumstances and be able to provide the support residents need.

‘We will continue to work hard to ensure our resources are well managed, used to deliver best value for Wirral residents, and enable us to deliver our 20 Pledges.’

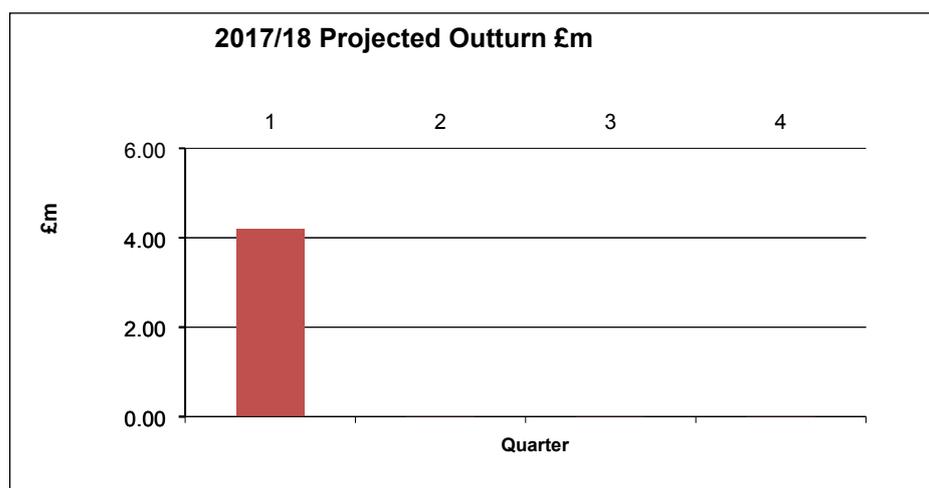
REPORT SUMMARY

This report sets out the projected revenue position for 2017/18 as at the end of Quarter 1 (30 June 2017).

The latest forecast is an overspend of £4.2 million for 2017/18. This is essentially as a consequence of additional investment into Children’s Services and associated legal costs regarding the placement of children.

The headline position is shown in the graph.

Graph 1: Wirral Council – 2017/18 General Fund Variance



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

RECOMMENDATIONS

- 1 The Quarter 1 forecast year end overspend of £4.2 million, of which £3.9 million relates to Children's Services and related legal costs, be noted.
- 2 The £8.5 million distribution from the Revenue Budget Contingency be approved.
- 3 The receipt of £0.18 million of New Homes Bonus Returned Funding Grant, which will be added to General Fund Balances, be noted.
- 4 Officers continue to identify actions and take measures to effectively manage the overall budget and reduce the impact of the projected overspends.
- 5 The £1.225 million 'one-off' funding from General Fund balances for an extended borough wide programme of tree maintenance works be referred to Council for approval.
- 6 The £0.125 million for a rolling programme of tree inspection and maintenance be added to the Council budget projections from 2018/19 onwards. be noted.

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 2017/18 Budget was agreed by Council on 6 March 2017. 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: 2017/18 Original & Revised Net Budget by Wirral Plan Themes

	Original Net Budget	Proposed Budget Change Quarter 1 Use of Contingency	Proposed Budget Change Quarter 1 Use of Balances	Approved Budget Changes Qtr 1	Revised Net Budget
	£000	£000	£000	£000	£000
People - Children & Families	80,616	5,000	-	-	85,616
People - Adult Social Care and Health	75,509	2,000	-	-	77,509
Environment	60,719	-	1,225	-	61,944
Business	37,438	1,500	-	-	38,938
Contingency	12,000	- 8,500	-	-	3,500
Net Cost of Services	266,282	-	1,225	-	267,507

3.1.2 The Budget included within it a Revenue Budget 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 2016/17 Out-turn it is recommended that £8.5 million of the Revenue Budget Contingency now be allocated. This relates to £5 million within People – Children & Families, £2 million in People – Adult Social Care and Health and £1.5 million in Business. After use to mitigate pressures, £3.5 million of the Revenue Budget Contingency will remain.

- 3.1.4 There is a recommendation to use General Fund Balances to meet costs relating to a tree inspection and maintenance programme which will be programmed over two years. The 'one-off' costs are £1.225 million with an ongoing requirement for £0.125m per year.
- 3.1.5 The Department for Communities and Local Government (DCLG) on 12 June 2017 announced that Wirral would receive a grant of £0.2 million from 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.
- 3.1.6 The closure of the 2016/17 Accounts resulted in an underspend of £2.9 million on service budgets and £10 million in General Fund balances at 31 March 2017. Further details are in the Outturn 2016/17 reported to Cabinet on 26 June 2017. With the receipt of the Collection Fund surplus from 2016/17 in April 2017 this increased the balances to £14.6 million.

3.2 PROJECTIONS AND KEY ISSUES

- 3.2.1 The projected Outturn position as at the end of June 2017 and Wirral Plan: 2020 Vision Themes updates are detailed in the following sections.

Table 2: 2017/18 Projected Budget variations by Wirral Plan Themes

Directorates	Revised Budget	Forecast Outturn	(Under) Overspend Quarter 1	RAGBY Class	Change from prev
People - Children & Families	85,616	88,776	3,160	R	n/a
People - Adult Social Care and Health	77,509	77,309	-200	B	n/a
Environment	61,944	63,033	1,089	R	n/a
Business	38,938	39,076	138	G	n/a
Contingency	3,500	3,500	0	G	n/a
TOTAL	267,507	271,694	4,187		0

*The Contingency is shown as fully utilised. However any unused balance would be available at year end to offset any overspend.

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), **Amber** (+£141k to +£300k), **Green** (range from +£140k to -£140k)
- Underspends **Blue** (-£141k to -£300k), **Yellow** (over -£301k).

3.3 WIRRAL PLAN THEMES UPDATES

3.3.1 People - Children & Families

- The predicted overspend is £3.2 million which is after the allocation of £5 million from the Contingency as highlighted in Section 3.1.

- Agency social worker costs are impacting due to a number of vacant posts within the existing establishment together with a number of posts requiring sickness / maternity cover. Whilst there is an ongoing strategy to recruit Social Work posts the shortages are a regional / national issue. At this stage there is a £1.3 million overspend forecast.
- Care placement numbers have increased over the last 12 months. The projected overspend is £5.7 million with £5 million covered by the Contingency. This assumes a full year provision for children, more of whom are placed through independent fostering agencies. Whilst care placements are carefully managed through the weekly Planning for Children Panel, numbers continue to increase. In the last month there has been a net increase of three residential and eight agency foster care placements increasing costs by £0.5 million.
- Services for children with disabilities are forecast to overspend by £0.8 million as a consequence of the rising costs of domiciliary care and the impact of direct payments together with the savings in this area proving difficult to deliver through increased numbers.

3.3.2 People - Adult Social Care and Health

- At this early point in the year the application of £2 million of the originally identified sum of £5.4 million from the Revenue Budget Contingency is anticipated to be sufficient to meet the projected level of spending.
- There are a number of in-year cost pressures forecast for 2017/18. They will be contained through a combination of effective demand management, income generation and improved processes as a result of the new Integrated Service with the Wirral Community Foundation Trust which commenced on 1 June 2017.
- Within Public Health the regular review of commissioning intentions and management of agreed contracts is forecast this area to be underspent by £0.2 million.

3.3.3 Environment

- Within Waste & Environment the £0.5 million overspend relates to the 2017/18 saving to reduce the cost of the Waste contract. Whilst unlikely to be realised in year officers are developing a series of options that may deliver the saving in subsequent years.
- There is a £0.6 million projected overspend in Sports & Recreation. This includes £0.35 million relating to savings from a previous Leisure review. Whilst deliverable there have been delays in the implementation of the operational changes at Woodchurch Leisure Centre and the development at of the West Kirby Marine Lake at a cost of £0.2 million. Income levels are proving challenging across all services including golf. At this stage a £0.2 million shortfall is projected and actions are being taken to increase income and include Parks & Countryside staff working closely with Leisure Officers to improve the quality of the golf courses and enhance the golf offering.

- The Council has responsibility for 129 sites which have trees adjacent to the highway. A sample of these has been surveyed by the appointed highway tree inspection contractor and a significant amount of work identified to make some trees safe and to maintain others. The total cost is estimated at £0.725 million. In addition the Council has 91 sites with trees not adjacent to highways that also require inspection and maintenance work. It is estimated that the cost of this will be £0.5 million. Following the completion of the inspection and priority works programme there will be a need for £0.125 million per annum to ensure that the condition of these trees is maintained.

3.3.4 **Business**

- Projected net overspend within Assets of £0.4 million. The on-going costs relating to Old Market House and the Municipal Building plus the requirement to deliver additional savings have largely been offset through the use of £0.5 million from the Revenue Budget Contingency and a re-profiling of the Property Maintenance Programme.
- As referred to under the People- Children Theme the increasing demand pressures are reflected within Legal Services. Increased external legal fees from cases within Children's Services are projected at £0.7 million.
- A £0.2 million overspend in Traffic and Transport. The shortfall in car parking income of £0.1 million is due to delayed implementation of the increased tariffs and charging at country parks and £0.1 million with the Street Works Permit scheme now expected to be implemented by October 2017.
- Business Services receive income for services provided. These comprise the IT Service Level Agreement with schools, printing services on behalf of schools and for internal functions and support for external organisations such as Edsential and Wirral Evolutions. With the opportunity of schools and others to source services elsewhere there is a potential shortfall in income of £0.7 million with negotiations ongoing.
- At this stage there is a predicted underspend within Treasury Management as a consequence of the on-going use of internal funds to minimise the requirement for external borrowing which defers the need to borrow and delivers one-off savings. These are forecast to be up to £2 million.

3.3.5 **Revenue Budget Contingency**

- The Contingency established when the Budget 2017/18 was approved was £12 million At Quarter 1 it is proposed that £8.5 million of the Contingency is allocated across the Themes with the amount remaining being £3.5 million (see Section 3.1.3).

3.4 IMPLEMENTATION OF SAVINGS

3.4.1 A summary of the position of 2017/18 savings at 30 June 2017 is below.

Table 3: Savings Implementation 2017/18 (£000's)

BRAG	Number of Options	Approved Budget Reduction	Amount Delivered at Q1	To be Delivered
B - delivered	31	23,731	23,731	0
G – on track	19	8,755	430	8,325
A - concerns	6	990	200	790
R - high risk/ not achieved	6	2,400	0	2,400
Total at Quarter 1 2017-18	62	35,876	24,361	11,515

* A number of red savings have been covered by allocating the revenue Budget Contingency

3.4.2 The savings tracker contains an assessment of the 2017/18 savings by the ratings below.

- **Blue:** Represents savings which have already been realised.
- **Green:** Savings on track to deliver
- **Amber:** Some concerns regarding delivery and will require closer scrutiny and monitoring.
- **Red:** High risk of not being achieved.

3.5 INCOME AND DEBT

COUNCIL TAX

3.5.1 After the improvement during 2016/17 Council Tax is becoming more difficult to collect. With an additional £8 million to collect compared to last year performance to date is 0.3% down on last year. Additional capacity is being made available to respond to this position and Direct Debit “rejections” reached an all-time high at £73,500 for the 28 June Direct Debit list.

Table 4 : Council Tax Comparatives

	Actual 2017/18 £000	Actual 2016/17 £000
Cash to Collect	154,301	146,136
Cash Collected	42,351	40,444
% Collected	27.4%	27.7%

BUSINESS RATES

3.5.2 Business Rates volatility is often mentioned when discussing collection. The current position is that Business Rates is currently 0.9% up on last year. However capacity within the Team is limited and actions are underway to rectify this position.

- 3.5.3 The volatility of Business Rates was highlighted during the last month. A successful appeal by a business on one assessment saw the Council having to refund £1 million with more expected in the coming months. A business went into liquidation owing £250,000 in Business Rates. New and revised assessments are continually made. The Council has set-aside a sum to meet the costs of losses on collection and appeals which was increased substantially last year.
- 3.5.4 The Chancellor of the Exchequer on 8 March 2017 brought forward three reliefs to aid Businesses for 2017/18 due to the increase in Rateable Values caused by the new valuation list. The detailed guidance in respect of these reliefs has recently been received from the Government.

Table 5: National Non-Domestic Rates Comparatives

	Actual	Actual
	2017/18	2016/17
	£000	£000
Cash to Collect	£74,411	£76,388
Cash Collected	£22,442	£22,392
% Collected	30.2%	29.3%

DEBTORS

- 3.5.5 The table below shows the outstanding debt by Wirral Plan Themes and then by date invoices was raised. This is a different way of showing the debtor information for 2017/18 to make the monitoring report more accessible and informative. At the end of June 2017 the arrears stood at £24.7 million.

Table 6: Accounts Receivable Outstanding Arrears Analysis

Theme	Less than 30 days	More than 30 days	2016/2017	2015/16	Pre 2015/16	Total at 30.06.17
	£	£	£	£	£	£
Business	2,396,520	750,673	1,042,125	713,111	1,898,175	6,800,604
Environment	415,002	54,727	192,867	52,067	370,854	1,085,517
People	2,155,502	2,044,910	6,899,804	2,626,047	3,095,882	16,822,145
Totals	4,967,024	2,850,310	8,134,796	3,391,225	5,364,911	24,708,266

- 3.5.6 18,997 invoices have been raised this year compared to 23,309 for the first quarter last year. The value of the invoices totalled £17.948 million compared to £23.098 million last year and £20.179 million has been paid compared to £23,352 million.

4.0 FINANCIAL IMPLICATIONS

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

Table 7: Summary of the Projected General Fund Balances

Details	£m
Actual Balance at 1 April 2017	+10.0
Add: Increase from Collection Fund surplus 2016/17	+4.6
Add; Additional Returned New Homes Bonus Grant	+0.2
Less; Tree maintenance programme	-1.2
Projected Balance at 31 March 2017	13.6
Less: Potential Overspend at June 2017	-4.2
Projected Balance 31 March 2018	9.4

Note: Costs relating to the New Ferry incident have not yet been finalised but will be met from General Fund Balances.

4.2 The projected General Fund balance of £9.4 million at 31 March 2018 is below the £10 million set as the minimum needed when setting the 2017/18 budget. Efforts will be made by budget holders to restore the projected balance to the minimum level.

4.3 The Reserves excluding School Balances totalled £42.3 million at 30 June 2017. These include reserves relating to the cost of transformation, mitigation of future financial risks and specific project support.

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 / Directorate Teams reviewing the financial position.
- Tracking system of savings options to monitor progress.
- Use of the Revenue Budget Contingency.
- Availability of General Fund Balance s.

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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APPENDIX

Appendix General Fund Revenue Budget 2017/18

SUBJECT HISTORY

Council Meeting	Date
Budget Council	6 March 2017
Cabinet – Revenue Monitoring 2016/17 Outturn	26 June 2017

GENERAL FUND REVENUE BUDGET 2017/18

ORIGINAL BUDGET AGREED BY COUNCIL ON 6 MARCH 2017

Department	Council Budget £m
Expenditure	
People: Children and Families	
Children & Families	62.2
Children & Families Schools	18.4
	80.6
People: Adult Social Care and Public Health	75.5
Environment	
Environmental Protection	27.8
Housing & Communities	15.9
Leisure & Culture	17.0
	60.7
Business	
Business & Tourism	2.8
Resources	0.1
Transformation & Improvement	1.7
Transport, Tech & Infrastructure	32.8
	37.4
Revenue Budget Contingency	12.0
Total Budget	266.2
Income	
Business Rates Baseline	67.9
Business Rates Top Up	51.8
Business Rates S31 Grants	1.5
New Homes Bonus	2.3
Council Tax Requirement	127.4
Contribution from Balances	15.3
Total Income	266.2
General Fund Balances at 1 April 2017	10.0