



**COUNCILLOR
JANETTE WILLIAMSON**

CABINET

6 NOVEMBER 2017

REVENUE MONITORING 2017/18

QUARTER 2 (TO SEPTEMBER 2017)

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

'It has been reported for some time that the ongoing national austerity policies continue to place huge pressure on local government, particularly in relation to social care services. Recent announcements regarding the demands for care for children highlight that this is both a national, and local, challenge which brings with it significant costs.

The Council continues to plan and manage its budget in a sustainable way. Mindful that there will always be changing requirements and the subsequent demands on the budget the Revenue Budget Contingency was made available. This helps mitigate the enormous demands on our services and why we are able to react to changing circumstances.

We continue to look for opportunities to make best use of the resources available, ensuring they are well managed, used to deliver best value for Wirral residents, and enable us to deliver our 20 Pledges.'

REPORT SUMMARY

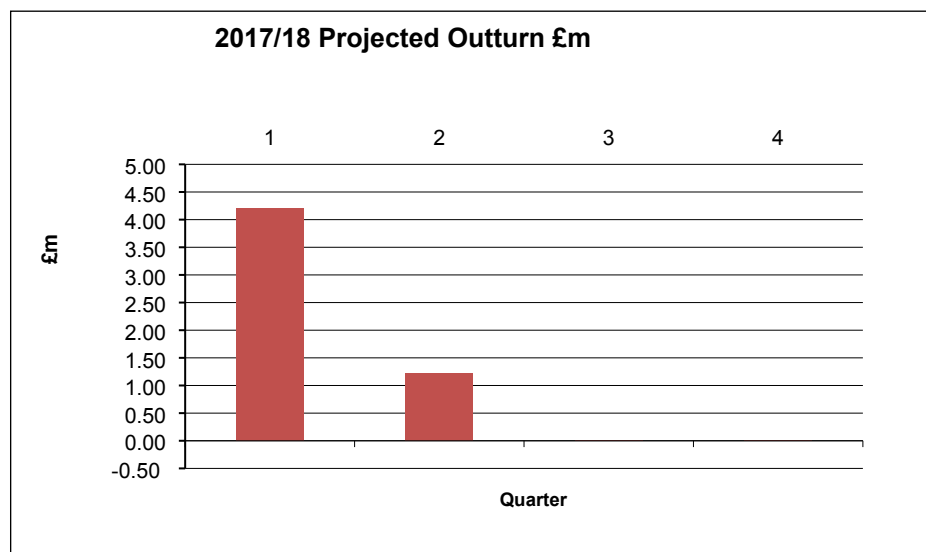
This report sets out the projected revenue position for 2017/18 as at the end of Quarter 2 (30 September 2017).

The Quarter 2 forecast is an overspend of £1.2 million for 2017/18 (Quarter 1 reported a forecast overspend of £4.2 million). The improvement is essentially due to the inclusion of unused Revenue Budget Contingency to the forecast. Underlying there is additional investment into Children's Services and associated legal costs regarding the placement of children which has resulted in budget pressure.

Elsewhere on the Agenda the Treasury Management Mid-Year report estimates a £2 million in year saving on interest/investments which is included in the above figures. The report also recommends that Council amend the Minimum Revenue Provision (MRP) Policy for assets funded from supported capital. By adopting an asset life annuity approach an in year reduction of MRP charges could be realised in 2017/18. Subject to Council and external audit agreement but would improve the overall Council in year financial position by up to £4.1 million.

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 2 forecast year-end overspend of £1.2 million, which incorporates a £4.8 million variance relating to Children's Services and related legal costs, and the projected General Fund Balances of £12million at 31 March 2018, be noted.
- 2 Officers continue to identify actions and take measures to effectively manage the overall budget and reduce the impact of the projected overspends.
- 3 The request for funding of £350,000 from General Fund Balances in respect of the implementation of the General Data Protection Regulation (GDPR) in May 2018 be referred to Council for approval.

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	Budget Change Quarter 1 Use of Contingency	Budget Change Quarter 1 Use of Balances	Approved Budget Changes Qtr 2	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	0	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 was agreed when reporting quarter 1 in July 2017 that £8.5 million of the Revenue Budget Contingency be allocated. This related 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 remains.

- 3.1.4 A further £1.225 million was added to the budget funded from General Fund Balances in respect of funding for urgent tree works subject to Council approval. Cabinet of 17 July referred this matter for approval by Council of 16 October.
- 3.1.5 It is recommended to call upon £0.35 million of General Fund Balances to meet costs of implementing the General Data Protection Regulation (GDPR) which comes into force in May 2018. Preparation for this will be required during 2017/18. GDPR is a European wide initiative which places an increased onus on 'controllers' and 'processors' to protect personal data. The authority currently meets many of the requirements of GDPR, but the definition of personal data is more expansive than under the UK Data Protection Act. Government has confirmed that the decision to leave the EU will have no impact upon the implementation of GDPR to the UK. Funding is required to undertake the necessary information audit and compliance work including where appropriate enhancing IT systems to ensure compliance with the regulation. Failure to comply can result in significant financial penalties.
- 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. 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 September 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 2	RAGBY Class	Change from prev
People - Children & Families	85,616	89,485	3,869	R	709
People - Adult Social Care and Health	77,509	77,510	1	G	201
Environment	61,944	62,839	895	R	-194
Business	38,938	38,889	-49	G	-187
Contingency	3,500	0	-3,500	Y	-3,500
TOTAL	267,507	268,723	1,216		-2,971

Contingency: assumed the current unused balance is now available 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 £3.9 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 £1.5 million overspend forecast.
- The numbers of Looked After Children (LAC) are continuing to rise. The current number is 819 (795 were reported in July). Numbers for the remainder of the year have been forecasted using the ARIMA Statistical Model which determines the number by March 2018 will rise to 846. The projected overspend is £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.
- Services for children with disabilities are forecast to overspend by £0.5 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 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.

3.3.3 Environment

- Within Waste & Environment the £0.4 million overspend relates to the planned saving in the cost of the Waste contract. Whilst unlikely to be realised in year, officers are working on a series of options that may deliver the required saving in subsequent years.
- There is a £0.8 million projected overspend in Sports & Recreation. This is largely due to slippage in implementing savings options. Consultation is underway around the operational changes at Woodchurch Leisure Centre. There will similarly be savings slippage owing to delays in the capital works at Leasowe Recreation Centre. Leisure Centre income is down on anticipated levels with work ongoing to investigate and understand the reasons behind the shortfalls.

- Income levels at Golf Courses continue to fall below target and Parks & Countryside staff are working closely with Leisure Officers to improve the quality of the golf courses and enhance the golf offering. Actions to mitigate the pressures include holding all non-critical expenditure and alternative income arrangements are being explored.

3.3.4 Business

- Projected net overspend within Assets of £0.5 million. This involves costs relating to Old Market House and vacant sites such as the Municipal Building and Dock Road Depot. These costs have been partially 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 also impacting upon Legal Services. Increased external legal fees from cases within Children's Services are projected to result in a net £0.9 million additional cost above budget.
- 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 £0.6 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.
- The Treasury Management Mid-Year report also recommends a change in the Council's Minimum Revenue Provision Policy in respect of supported capital. If agreed by Council and external audit this could realise reduced costs of up to £4.1 million in 2017/18. The impact of this is not yet assumed within the above monitoring figures but will be built in once approval is received from Council.

3.3.5 Revenue Budget Contingency

- The Contingency established when the Budget 2017/18 was approved was £12 million At Quarter 1 £8.5 million of the Contingency was allocated across the Themes with the amount remaining being £3.5 million (see Section 3.1.3). For the purposes of this budget monitoring report the £3.5 million of unused Contingency is now assumed as being available to offset any overspend.

3.4 IMPLEMENTATION OF SAVINGS

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

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

BRAG	Number of Options	Approved Budget Reduction	Amount Delivered at Q2	To be Delivered
B - delivered	30	22,440	22,440	0
G – on track	13	6,575	2,630	3,945
A - concerns	9	2,930	1,300	1,630
R - high risk/ not achieved	10	3,940	0	3,940
Total at Quarter 1 2017-18	62	35,885	26,370	9,515

* 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 Council Tax collection is 0.4% down on last year although in cash terms £3.6 million more cash has been collected. An element of the lower collection rate relates to lower discounts and exemptions being awarded and those impacted paying more and needing longer to pay. To address the position limited overtime is being worked, recruitment to vacant posts is underway and additional support engaged to undertake basic processing.

Table 4 : Council Tax Comparatives

	Actual	Actual
	2017/18	2016/17
	£000	£000
Cash to Collect	154,460	146,467
Cash Collected	83,661	80,031
% Collected	54.2%	54.6%

BUSINESS RATES

- 3.5.2 Business Rates volatility is often mentioned when discussing collection. The current position is that Business Rates is currently 3.2% ahead of this time last year. The amount to collect has reduced by £3 million after revaluation and new reliefs, Underlining the volatility of Business Rates £1 million was refunded on one assessment in June with more expected and a business went into liquidation owing £250,000 rates. New assessments are being added to the list and the provision for loss on collection for 2017/18 was increased substantially last year.
- 3.5.3 The Chancellor of the Exchequer's budget on 8 March 2017 announced 3 reliefs to aid Businesses for 2017/18 due to the increase in Rateable Values from the new valuation list. To date there have been 420 recipients of the new Local Discount, 17 of Supporting Small Business Rate reliefs and 85 Public Houses. Compensation will be provided by way of a Section 31 Grant.

Table 5: National Non-Domestic Rates Comparatives

	Actual	Actual
	2017/18	2016/17
	£000	£000
Cash to Collect	£73,248	£76,218
Cash Collected	£42,569	£41,812
% Collected	58.1%	54.9%

- 3.5.4 The Local Government Finance Bill 2017, which would have brought in 100% Business Rate Retention on a national basis fell with the calling of the General Election and is not presently programmed. However the Government is seeking more authorities to pilot Business Rates Retention with Wirral part of the already agreed Liverpool City Region pilot.

DEBTORS

- 3.5.5 The table shows the outstanding debt by Wirral Plan Themes and the date invoices were raised. This year has seen 37,723 invoices with a value of £43 million raised and £44 million of payments (including amounts for prior years).

Table 6: Accounts Receivable Outstanding Arrears Analysis

Theme	2017/18 Less than 30 days	2017/18 More than 30 days	2016/2017	2015/16	Pre 2015/16	Total at Quarter 2
	£	£	£	£	£	£
Business	3,119,132	538,486	499,293	531,812	980,224	5,668,947
Environment	255,222	45,752	190,783	41,000	213,714	746,471
People	3,087,629	3,484,049	6,020,825	2,546,323	3,074,762	18,213,588
Totals	6,461,983	4,068,287	6,710,901	3,119,135	4,268,700	24,629,006

- 3.5.6 In accordance with proper accounting practice, income is credited to the relevant financial year's accounts of the service area at the point invoices are raised. A provision for bad debt is maintained and is assessed each year. Should non-payment occur after proceeding through all necessary recovery procedures, any properly authorised write off will be charged against the bad debt provision.

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
Less: Potential Overspend at September 2017	-1.2
Less: Potential Unfunded New Ferry Costs	-0.3
Less Memorial Event Funding per Cabinet 17 th July 2017	-0.1
Projected Balance 31 March 2018	12.0

- 4.2 The table does not include the request for £350,000 from Balances in respect of the implementation of the General Data Protection Regulation (GDPR) in May 2018 as this requires Council approval.
- 4.3 The projected General Fund balance is above the £10 million set as the minimum needed when setting the 2017/18 budget.
- 4.4 Earmarked Reserves excluding School Balances totalled £38 million at 30 September 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.
 - Use of the Revenue Budget Contingency.
 - Availability of General Fund Balances.

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 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
Revenue Monitoring 2017/18 Quarter 1	17 July 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