



Business Overview and Scrutiny Committee
Wednesday, 29 November 2017

REPORT TITLE:	FINANCIAL MONITORING REPORT QUARTER 2 2017/18
REPORT OF:	ASSISTANT DIRECTOR: FINANCE

REPORT SUMMARY

This report sets out the financial monitoring information for Business in a format consistent across the Overview & Scrutiny Committees. The report provides Members with detail to scrutinise budget performance for this area of activity. The financial information is at close of quarter 2 2017/18.

Information has been drawn from the relevant sections of the most recent Cabinet revenue and capital monitoring reports and combined with additional relevant service information to produce a bespoke report for this Overview & Scrutiny Committee. The report includes the following:

- Performance against the revenue budget (including savings, income and debt)
- Performance against the capital budget

RECOMMENDATION/S

- 1 The quarter 2 revenue forecast overspend of £0.05 million be noted.
- 2 The performance of the capital projects and amendments to the capital programme within this area be noted.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 To provide members with details of the financial performance of the Overview and Scrutiny Committee's area.

2.0 OTHER OPTIONS CONSIDERED

2.1 Not applicable

3.0 BACKGROUND INFORMATION

3.1 PERFORMANCE AGAINST REVENUE BUDGETS QUARTER 2 (JULY 2017- SEPTEMBER 2017)

3.1.0 CHANGES TO THE AGREED BUDGET

3.1.1 The 2017/18 Budget was agreed by Council on 6 March 2017. Any increase to the overall Council Budget (but not use of the existing budget contingency) requires agreement 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
Business	37,438	1,500	-	-	38,938
Net Cost of Services	37,438	1,500	-	-	38,938

3.2.0 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
Business	38,938	38,889	-49	G	-187
TOTAL	38,938	38,889	-49		-187

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).

3.2.2 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.
- 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.

3.3.0 IMPLEMENTATION OF SAVINGS

3.3.1 A summary of the position of 2017/18 Business 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	12	15,140	15,140	0
G – on track	6	1,750	1,400	350
A - concerns	1	400	200	200
R - high risk/ not achieved	4	1,700	0	1,700
Total at Quarter 1 2017-18	23	18,990	16,740	2,250

3.3.2 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.

3.4.0 INCOME AND DEBT

3.4.1 The table below shows the outstanding debt by Wirral Plan Theme category and then by invoice raised date. At the end of September 2017 total Council arrears stood at £24.6 million with £5.7 million of this relating to Business. In overall terms 37,723 invoices have been issued in the year by the council with a value of £43 million raised. £44 million of payments including amounts for prior years have been collected.

Table 4: Accounts Receivable Outstanding Arrears Analysis

Theme	Less than 30 days	More than 30 days	2016/2017	2015/16	Pre 2015/16	Total at 30.09.17
	£	£	£	£	£	£
Business	3,119,132	538,486	499,293	531,812	980,224	5,668,947

3.4.2 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.

3.5.0 PERFORMANCE AGAINST CAPITAL BUDGETS QUARTER 2 (July-September 2017)

3.5.1 Capital Programme 2017/18 at end of Quarter 2 (30 September)

	Revised Programme	Spend to Date Sept 2017	Funded by: Council Resources	Funded by: Grants	Business Rates	Reserves
	£000	£000	£000	£000	£000	£000
Business	36,829	6,298	21,650	13,024	550	1,605
Total expenditure	36,829	6,298	21,650	13,024	550	1,605

3.5.2 New Capital Bids recommended to cabinet

- **Cyber Security (£1.562m)**

Technology needs to be refreshed to ensure it remains supported and secure. A number of projects are required to ensure that the Council is fully supported which will avoid having to pay very expensive "extended support" fees and include the upgrade to Windows 10; replacement of web publishing server; replacement of Unix servers and upgrading Windows servers. This is essential to maintain the integrity and security of the Council I.T. network. Estimated cost is £1 million in 2017/18 and £0.6 million in 2018/19 with the proposed funding being from Capital Receipts.

- **Street Lighting (£0.500m)**

This is a revision to an existing scheme with the allocation increased from £0.5 million to £1.0 million. This follows completion of survey works and is required due to public safety concerns and improved performance regarding street lighting. Additional cost is £0.5 million in 2017/18 with the proposed funding from borrowing for which a full year's cost would be £24,000.

- **Eureka Project (£0.308m)**

This is financial assistance to Eureka, The National Children's Museum to develop the Eureka! Merseyside proposal. This will support the required funding applications to bring forward this development. Eureka! Merseyside will create a world-class destination for families at Seacombe Ferry on the current Spaceport site replicating the award winning model in Halifax.

The cost of the project is £11 million with funding agreed subject to final applications from a number of sources. The Council contribution is £0.06 million in 2017/18 and £0.25 million in 2018/19 with the proposed funding being from borrowing for which a full year's cost would be £13,000.

- **Data Centre (£1.500m)**

Funding from Insurance Fund previously agreed and the scheme is now being formally included in the Programme. Alternative methods of funding this scheme are currently being evaluated to maximise value for money.

3.5.3 Since quarter 1 there has been a re-profiling of the Business capital program. The program has reduced from £38.2 million to £36.8 million. The main movements are:

- **Wirral Waters Investment Fund (£3.450m)**

On course to approve over £4 million by March 2018 but based on the timing of the applications, approvals and spend profiles the use is estimated at £0.55 million in 2017/18 so re-profiled into 2018/19.

- **Car Parking (£0.325m)**

Tender has resulted in reduced costs for the car parking machines. Reduced requirement.

- **Cleveland Street. Depot (£0.370m)**

Awaiting outcome of Leisure Business Case to determine requirements so re-profiled into 2018/19.

- **Highway maintenance (£0.270m)**

Scheduled programme of works may run into 2018/19. Re-profiled into 2018/19.

- **Building refurbishment to increase occupancy (£0.223m)**

A number of projects are still on hold to avoid unnecessary spend until decisions are made on the usage of key assets. Re-profiled into 2018/19.

3.5.4 Spend of £2.6 million has been incurred in respect of the current dock bridges replacement scheme. This major scheme is largely funded through a Government grant and the extensive works are expected to be completed by

early 2018.

3.5.5 Other significant spend includes works to refurbish and update Council buildings to increase occupancy and make fit for purpose (£0.6 million) and highways related works (£1.2 million).

3.5.6 The Liverpool City Region has allocated £3.1 million of grant support for Sustainable Transport Enhancement Package (STEP) programme for which a schedule of work has now been drawn up for action by Bam Nuttall for implementation.

3.5.7 Within the Programme is an allocation of £10 million for investment in properties. This is closely linked to the progressing Wirral Growth Company and is intended to fund acquisitions which will, in turn, provide a revenue income stream to the Council. It is anticipated that this funding will be utilised by the year end.

4.0 FINANCIAL IMPLICATIONS

4.1 The financial implications of this report are discussed throughout the report. This is essentially a financial monitoring performance update 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 / Management 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 EQUALITY IMPLICATIONS

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

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APPENDICES

Appendix Capital Programme and Funding 2017/18

REFERENCE MATERIAL

Council Meeting	Date
Budget Council	6 March 2017
Cabinet – Revenue Monitoring 2017/18 Quarter 1	17 July 2017
Cabinet – Capital Monitoring 2017/18 Quarter 1	17 July 2017
Cabinet – Revenue Monitoring 2017/18 Quarter 2	6 November 2017
Cabinet – Capital Monitoring 2017/18 Quarter 2	6 November 2017

Capital Programme and Funding 2017/18**APPENDIX 1**

Business Theme	Revised Programme £000	Spend to Date £000	Council Resources £000	Reserves £000	Business Rates £000	Grants £000	Total Funding £000
Building refurb to increase occupancy	950	562	950	-	-	-	950
Fund to assist land assembly and resale	468	46	468	-	-	-	468
Cleveland Street transport depot	120	-	120	-	-	-	120
Demolish Bebington Town Hall	365	3	365	-	-	-	365
Demolish former Rock Ferry High School	70	61	70	-	-	-	70
Demolish Stanley School	30	28	30	-	-	-	30
Demolish former Foxfield School	11	-	11	-	-	-	11
Treasury Building	413	184	413	-	-	-	413
Cyber Security	1,000	-	1,000	-	-	-	1,000
Data Centre	1,500	555	-	1,500	-	-	1,500
Children's Services collaboration	102	-	102	-	-	-	102
Eureka	60	-	60	-	-	-	60
Industrial Estates	150	70	150	-	-	-	150
Millennium Centre re-modelling	525	148	525	-	-	-	525
Active travel	22	21	22	-	-	-	22
Bridges	938	59	788	-	-	150	938
Highway maintenance	2,790	1,190	-	-	-	2,790	2,790
Transport for growth/integrated transport	2,667	285	1,443	-	-	1,224	2,667
Coast protection	150	5	150	-	-	-	150
STEP	3,450	0	365	-	-	3,085	3,450
Dock bridges replacement	6,445	2,550	1,000	-	-	5,445	6,445
Replace highways grass cutting machinery	288	281	288	-	-	-	288

Business Theme (continued)	Revised Programme £000	Spend to Date £000	Council Resources £000	Reserves £000	Business Rates £000	Grants £000	Total Funding £000
Business investment grants	888	147	888	-	-	-	888
Growth fund	600	-	600	-	-	-	600
Webcasting	225	-	225	-	-	-	225
Thermal mapping	42	-	42	-	-	-	42
Pothole action fund	270	49	-	-	-	270	270
Street lighting	1,165	54	1,000	105	-	60	1,165
Car parking	575	-	575	-	-	-	575
Investment in properties	10,000	-	10,000	-	-	-	10,000
Wirral Waters Investment Fund	550	-	-	-	550	-	550
	36,829	6,298	21,650	1,605	550	13,024	36,829