



CLLR JANETTE WILLIAMSON

CABINET

19 FEBRUARY 2018

REVENUE MONITORING 2017/18

QUARTER 3 (TO DECEMBER 2017)

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

“The Council continues to plan and manage its budget in a sustainable, responsible and robust fashion. There are enormous demands on our services and we must ensure we can be flexible 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.’

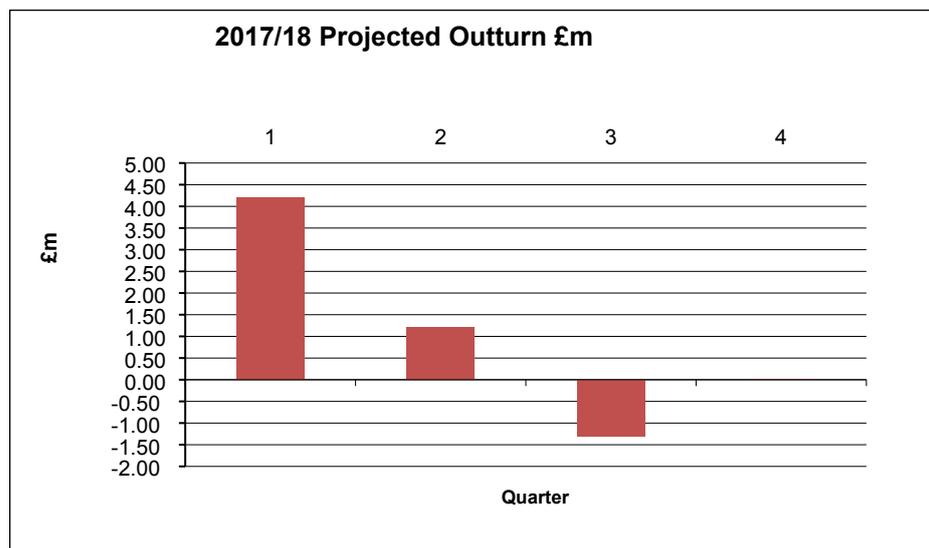
REPORT SUMMARY

This report sets out the projected revenue position for 2017/18 as at the end of Quarter 3 (31 December 2017).

The Quarter 3 forecast is an underspend of £1.3 million for 2017/18 (Quarter 2 reported a forecast overspend of £1.2 million). The improvement is essentially due to the approval by Council on the 11 December 2017 of the Treasury Management Mid-Year report that recommended a change in 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 will be realised in 2017/18.

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 3 forecast year-end underspend of £1.3 million, which incorporates a £4.5 million adverse variance relating to Children’s Services and related legal costs, and the projected General Fund Balances of £14.1 million at 31 March 2018, be noted.
- 2 To note that Officers continue to identify actions and take measures to effectively manage the overall budget and reduce the impact of any adverse 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 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 3	Revised Net Budget
	£000	£000	£000	£000	£000
People - Children & Families	80,616	5,000	-	7,323	78,293
People - Adult Social Care and Health	75,509	2,000	-	469	77,978
Environment	60,719	-	1,225	7,586	69,530
Business	37,438	1,500	-	732	38,206
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. Council approved this on the 16 October.
- 3.1.5 A 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 was agreed at Council on the 11 December 2017.
- 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.
- 3.1.7 Budget movements in quarter three between Children and Families and Environment cover a number of issues. Integrated transport moved from Children and Families to Environment. This has a budget of £5.6 million. There have also been adjustments to recharge bases that have shown movements between a number of themes. These movements have no effect on the bottom line budget and are just adjustments to better reflect where budgets should be placed.

3.2 PROJECTIONS AND KEY ISSUES

- 3.2.1 The projected Outturn position as at the end of December 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 3	RAGBY Class	Change from prev
People - Children & Families	78,293	82,198	3,905	R	36
People - Adult Social Care and Health	77,978	79,478	1,500	R	1,499
Environment	69,530	70,511	981	R	86
Business	38,206	34,028	-4,178	Y	-4,129
Contingency	3,500	0	-3,500	Y	0
TOTAL	267,507	266,215	-1,292		-2,508

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 £0.5 million overspend forecast for this element.
- The numbers of Looked After Children (LAC) are continuing to rise. The current number is 839 (819 were reported in September). The projected overspend is £3.4 million after the Contingency. Care placements are carefully managed through the weekly Planning for Children Panel. Monthly meetings are taking place to review placement spend. However overall numbers are increasing.
- 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.
- There are a number of other areas with underspends to bring the total to the £3.9 million figure.

3.3.2 People - Adult Social Care and Health

- There is a predicted overspend of £1.5 million at this point of the year, this is after the use of £2 million contingency budget.
- Part of the reason for this is increased demand for services: the amount of individuals in receipt of a package of care has risen by 1.3% in the last quarter (predominantly in the Neighbourhood Teams), creating an additional cost pressure.
- Ideas are being explored - including one-off savings options - to find ways of managing the forecast overspend.

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 £0.85 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.
- A freeze on all non-critical expenditure has been implemented which is estimated to save £140,000 by the end of the year and revised pricing

structures have been implemented in January 2018 to generate approximately £50,000 of additional income in year.

- There are a number of other areas with small underspends to bring the total to the £0.98 million figure.

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 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 £2.3 million.
- The Treasury Management Mid-Year report also recommended a change in the Council's Minimum Revenue Provision Policy in respect of supported capital. This was agreed by Council on the 11 December 2017 and has reduced costs by up to a further £4.1 million in 2017/18.
- There are continued pressures associated with the Council's lighting stock. Reactive repairs can only be ordered following careful consideration using a risk-based approach in order to preserve financial resources. Fault reporting remains very high and inevitably, this means that demand exceeds supply. The lighting revenue budget has now been exhausted and in order to continue at the current rate of issuing work, a further £150,000 revenue is required in 2017/18. In order to cope with the ongoing demand, lighting repairs will continue to be issued and the additional budget pressure of up to £150,000 will be managed across Theme budgets.

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). This is being used to offset current overspends.

3.4 IMPLEMENTATION OF SAVINGS

3.4.1 A summary of the position of 2017/18 savings at 31 December 2017 is below.

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

Theme	Number of Options	Approved Budget Reduction	Amount Delivered at Q3	Amount covered by contingency budget	To be Delivered
People - Children & Families	3	1,600	0	1,400	200
People - Adult Social Care and Health	10	3,200	3,000		200
Environment	23	5,300	3,400	200	1,700
Business	26	25,800	24,000	1,300	500
Total at Quarter 3 2017-18	62	35,900	30,400	2,900	2,600

3.4.2 People - Children & Families

- At quarter 3 all three of the savings options in this theme are rated as red. Two of the options relate to demand suppression within year. Due to the increased demand within Children and Families those savings are rated as failing. However they have been covered by £1.4 million of contingency budget in 2017/18.

3.4.3 People - Adult Social Care and Health

- At quarter 3 the forecasted achievement of the savings options is 93.8%. There is a combination of options including funding to cover increased demand. The savings option for Liverpool City region integration of adult safeguarding has slipped with only £80,000 of the £200,000 figure thought to be achievable in 2017/18.

3.4.4 Environment

- At quarter 3 the forecasted achievement of the savings options is 64.2%. The main areas of under achievement in this theme are a £500k non achievement of a waste contract saving option combined with a general underachievement across a number of leisure based income target uplift savings options.

3.4.5 Business

- At quarter 3 the forecasted achievement of the savings options is 91.1%. There are four savings options rated as red within this theme. Two relate to corporate staffing targets, those being the Voluntary Redundancy Programme and Senior Management Reduction. They come to a total of £1 million but have been mitigated by £800,000 of contingency funding. The next largest option is Estates/Assets (Building Reduction & Maintenance), this is £500,000. After a review of assets this is seen as non-achievable in 2017/18 so has been mitigated by use of the contingency budget.

3.5 INCOME AND DEBT

COUNCIL TAX

- 3.5.1 Council Tax in year collection is 0.7% down on last year although in cash terms £5.5 million more cash has been collected. An element of the lower collection rate relates to a 4.99% increase on the previous year and lower discounts and exemptions being awarded and those impacted paying more and needing longer to pay. To help address the reduced collection rate 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	154,604	146,535
Cash Collected	125,163	119,708
% Collected	81.0%	81.7%

BUSINESS RATES

- 3.5.2 Business Rates volatility is often mentioned when discussing collection. The current position is that Business Rates is currently 0.6% ahead of this time last year. The amount to collect has reduced by £3.3 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 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	£72,992	£76,291
Cash Collected	£59,840	£62,121
% Collected	82.0%	81.4%

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 running Liverpool City Region pilot.

DEBTORS

3.5.5 The table shows the outstanding debt, value of debtors raised in year and the value that has been paid in 2017/18. This is different from previous quarter in an effort to show the amount of debt that is recovered each year. This year has seen £67 million of invoices raised but has seen £68 million of payments. This will be across 2017/18 but also invoices raised in previous years.

Table 6: Accounts Receivable Debtor Cycle Analysis

	2017/18
	£000
Arrears Brought Forward	£26,465
Invoices Value Raised in Year	£67,416
Invoices Value Paid in Year	-£68,219
Reductions in Year	-£4,918
Total Remaining Debt	£20,744

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
Add: Potential Underspend at December 2017	+1.3
Less: Tree maintenance programme	-1.2
Less: Potential Unfunded New Ferry Costs	-0.3
Less: Memorial Event Funding per Cabinet 17 July 2017	-0.1
Less: Implementation of GDPR	-0.4
Projected Balance 31 March 2018	14.1

4.3 The projected General Fund balance is above the £10 million set as the minimum needed when setting the 2017/18 budget. This is to ensure the Council's financial sustainability and is kept to protect against any unforeseen expenditure. It is not available for use to support day to day expenditure. Any amount above this figure will be used to help support the 2018/19 budget.

4.4 The total of Earmarked Reserves at December 2017 is £55 million. This is split across specific ring fenced activities. They are –

- Insurance & Taxation £20.8 million
- Transformation £3.5 million
- Schools £13 million
- Support Service Activities and Projects £17.7 million
- Total £55 million

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.

REPORT AUTHOR: Chris Kelly
Principal Accountant
Telephone 0151 666 3417
Email chriskelly@wirral.gov.uk

APPENDIX

APPENDIX 1 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
Revenue Monitoring 2017/18 Quarter 2	6 November 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