

**Business Overview and Scrutiny Committee
Tuesday, 27 March 2018**

REPORT TITLE:	FINANCIAL MONITORING REPORT QUARTER 3 2017/18
REPORT OF:	DIRECTOR OF FINANCE AND INVESTMENT

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 3 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 3 revenue forecast underspend of £4.2 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 3 (OCTOBER 2017- DECEMBER 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

Theme	Portfolio	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
Business	Finance and Income Generation	2,339	1,300	-	- 1,418	2,221
	Highways and Transport	33,106	200		368	33,674
	Leadership	1,840	-		285	2,125
	Transformation	153	-		33	186
Net Cost of Services		37,438	1,500	-	- 732	38,206

3.2.0 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
Business	Finance and Income Generation	2,221	-2,065	-4,286	Y
	Highways and Transport	33,674	33,834	160	A
	Leadership	2,125	2,053	-72	G
	Transformation	186	206	20	G
TOTAL		38,206	34,028	-4,178	

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

Finance and Income Generation - 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.

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.

Highways and Transport - 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.

3.3.0 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)

Theme	Number of Options	Approved Budget Reduction	Amount Delivered at Q3	Amount covered by contingency budget	To be Delivered
Business	26	25,800	24,000	1,300	500
Total at Quarter 3 2017-18	26	25,800	24,000	1,300	500

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.

3.4.0 INCOME AND DEBT

3.4.1 The table shows the outstanding debt for the whole of the council, 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 £62 million of net invoices raised but has seen £68 million of payments. This will be across 2017/18 but also invoices raised in previous years.

Table 4: Accounts Receivable Debtor Cycle Analysis

	2017/18 £000
Arrears Brought Forward	£26,465
Net Invoices Value Raised in Year	£62,498
Invoices Value Paid in Year	-£68,219
Total Remaining Debt	£20,744

3.4.2 The above debt reflects the Council's significant responsibilities in respect of social care activity. Elements of the debt will only be recoverable once clients are no longer in need of care.

3.4.3 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 3 (October-December 2017)

3.5.1 Capital Programme 2017/18 at end of Quarter 3 (31 December)

	Revised Programme	Spend to Date Dec 2017	Funded by: Council Resources	Funded by: Grants	Business Rates	Reserves
	£000	£000	£000	£000	£000	£000
Business	34,323	12,108	20,684	12,163	550	926
Total expenditure	34,323	12,108	20,684	12,163	550	926

3.5.2 Spend of £4.3 million has been incurred this year 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.

3.5.3 Other significant spend includes works to refurbish and update Council buildings to increase occupancy and make fit for purpose (£1.1 million) and highways related works (£3.0 million).

3.5.4 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 with £2.2 million allocated to future years.

3.5.5 The Millennium Centre (Budget £0.525 million) will be complete by end of March. Staff from Adults have started to move in. The remodelling of the layout, improvements to infrastructure and a new 70 place carpark, has enabled the building to accommodate over 100 additional staff. It is hoped these will be a mixture of Adults, NHS and Public Health as part of our efficient integration programmes.

3.5.6 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.

3.5.7 By utilising the skills and knowledge gained from the Wirral Waters Investment Fund, the Council now has the opportunity to support even more businesses moving into Wirral and it is proposed that the Growth Fund be allocated by the Council directly to eligible businesses and it be used to offer a mix of grant and loan.

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.

REPORT AUTHOR: *Christopher Kelly*
Principal Accountant
telephone: (0151) 666 3417
email: chriskelly@wirral.gov.uk

APPENDICES

Appendix Capital Programme and Funding 2017/18

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

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
Cabinet – Revenue Monitoring 2017/18 Quarter 3	19 February 2018
Cabinet – Capital Monitoring 2017/18 Quarter 3	19 February 2018

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	1,315	1,127	1,315	-	-	-	1,315
Fund to assist land assembly and resale	468	207	468	-	-	-	468
Cleveland Street transport depot	120	-	120	-	-	-	120
Demolish former Rock Ferry High School	70	112	70	-	-	-	70
Demolish Stanley School	30	32	30	-	-	-	30
Demolish former Foxfield School	11	-	11	-	-	-	11
Treasury Building	413	245	413	-	-	-	413
Cyber Security	1,000	100	1,000	-	-	-	1,000
Data Centre	1,500	888	-	821	-	679	1,500
Children's Services collaboration	102	-	102	-	-	-	102
Eureka	60	-	60	-	-	-	60
Industrial Estates	150	70	150	-	-	-	150
Millennium Centre re-modelling	525	438	525	-	-	-	525
Active travel	30	21	30	-	-	-	30
Bridges	938	181	788	-	-	150	938
Highway maintenance	2,888	2,419	-	-	-	2,888	2,888
Transport for growth/integrated transport	2,912	611	1,443	-	-	1,469	2,912
Coast protection	124	9	124	-	-	-	124
STEP	1,202	184	-	-	-	1,202	1,202
Dock bridges replacement	6,347	4,281	902	-	-	5,445	6,347
Replace highways grass cutting machinery	288	286	288	-	-	-	288
Business Theme (continued)	Revised	Spend to	Council	Reserves	Business	Grants	Total

	Programme £000	Date £000	Resources £000	£000	Rates £000	£000	Funding £000
Business investment grants	683	147	683	-	-	-	683
Growth fund	320	-	320	-	-	-	320
Webcasting	225	-	225	-	-	-	225
Thermal mapping	42	-	42	-	-	-	42
Pothole action fund	270	196	-	-	-	270	270
Street lighting	1,165	208	1,000	105	-	60	1,165
Car parking	575	1	575	-	-	-	575
Investment in properties	10,000	-	10,000	-	-	-	10,000
Wirral Waters Investment Fund	550	345	-	-	550	-	550
	34,323	12,108	20,684	926	550	12,163	34,323