

**Audit and Risk Management Committee**  
**Monday, 23 September 2019**

<b>REPORT TITLE:</b>	<b>Statement of Revenue and Capital Budget Position for 2019/20</b>
<b>REPORT OF:</b>	<b>Director of Finance &amp; Investment (S151)</b>

**REPORT SUMMARY****REPORT SUMMARY**

This Statement provides a summary of the projected year-end revenue and capital positions as at Quarter 1, 2019/20 (June 2019).

Regular monitoring and reporting of the Revenue Budgets, savings achievements, medium term financial strategy (MTFS) position and the Capital Programme enable decisions to be taken faster which may produce revenue benefits and will improve financial control in Wirral Council.

The content of this report was presented to the Cabinet at its meeting on 2<sup>nd</sup> September 2019 and contained a number of recommendations, which have not been included here. It is the responsibility of Cabinet to monitor and make decisions on budgets. Scrutiny Committees have a responsibility to scrutinise the decisions of Cabinet. This report is produced to provide assurance that officers are monitoring and forecasting regularly and the risk of an adverse forecast is being mitigated.

The year-end revenue forecast recorded as part of June's financial monitoring activity represents an adverse variance from budget of £4.327m. Plans are, in some cases, in place to mitigate the overspend whereas in other areas these are still being developed. Due to the Council's financial position, an adverse budget variance is not viable and Corporate Directors will be supported to ensure that a balanced budget will be achieved by the year-end.

The report also provides an update on the progress of the Capital Programme for 2019/20 as at the end of June 2019. The 2019/20 Capital Programme of £88.3 million is inclusive of re-profiling, additional funding requirements and grant variations identified since February. Expenditure to date is £2.9 million.

This matter affects all Wards within the Borough.

## **RECOMMENDATIONS**

### **Revenue**

- The Committee notes the year-end adverse forecast position, as at Quarter 1, of £4.327 million above budget.
- The Committee notes the savings proposed for 2019/20.
- The Committee notes the revisions to the MTFS 2020-2025.

### **Capital**

- The Committee notes the expenditure position as at Quarter 1 of £2.9 million.

## SUPPORTING INFORMATION

### 1.0 REASON/S FOR RECOMMENDATION/S

1.1 To provide an update to the Audit and Risk Management Committee on the on-going monitoring and reporting of the Revenue Budgets, savings achievements, MTFS position and Capital Programme.

### 2.0 OTHER OPTIONS CONSIDERED

2.1 No other options have been considered.

### 3.0 BACKGROUND INFORMATION

#### 3.1 REVENUE

3.1.1 This Statement provides a summary of the projected year-end revenue position as at Quarter 1, 2019/20 (June 2019).

3.1.2 The year-end forecast recorded as part of June's financial monitoring activity represents an adverse variance to budget of £4.327m. Plans are, in some cases, in place to mitigate the overspend whereas in other areas these are still being developed. Due to the Council's financial position, an adverse budget variance is not viable and Corporate Directors will be supported to ensure that a balanced budget will be achieved by year-end.

**Table 1 2019/20 Budget and Forecast**

Objective Analysis	Full Year		Variance		Adv/Fav
	Budget £m	Forecast £m	£m	%	
Adult Care & Health	87.790	87.790	(0.000)	0%	
Children	86.581	89.155	(2.575)	-3% Adverse	
Business Management	(11.963)	(11.766)	(0.198)	-2% Adverse	
Economic Housing Growth	20.048	19.969	0.079	0%	
Delivery	66.752	68.385	(1.634)	-2% Adverse	
<b>Directorate Deficit</b>	<b>249.207</b>	<b>253.534</b>	<b>(4.327)</b>	<b>-2% Adverse</b>	
Support / Admin Building Overhead	36.002	36.002	0.000	0%	
<b>Total Deficit</b>	<b>285.209</b>	<b>289.535</b>	<b>(4.327)</b>	<b>-2% Adverse</b>	

*\*An adverse variance is one where the forecast position is worse than the planned position, conversely, a favourable variance is where the forecast position is better than the planned position.*

## **3.2 DIRECTORATE SUMMARY**

### **Adult Care and Health**

- 3.2.1 Forecast - Balanced Position: The balanced position presented for Adult Care & Health is contingent upon the full delivery of the department's in-year efficiency plan.
- 3.2.2 Demand for services is the key driver of risk in Adult Care and Health: Increased demand for adult social care services is seen predominantly in the care at home sector, where the volume of home care and supported living services provided in the last twelve months has increased by 9.8% and 10.0% respectively.
- 3.2.3 In comparison, demand for traditional residential and nursing home services has only risen by 0.5% during the same period.
- 3.2.4 Failure to achieve some or all of this will result in a net budget deficit at year-end; the maximum risk exposure is £5.0m. The efficiency plan comprises two elements:
- Firstly, the department is building on the success of last year's £2m Learning Disabilities Transformation Programme in order to drive a further £2m of savings in 2019/20.
  - Secondly, work is ongoing with the Council's NHS partners (Wirral Community Trust and Cheshire & Wirral Partnership) in order to manage demand for social care by maximising service user's independence and wellbeing. Savings targets have been agreed with each provider and are being monitored through a robust contract management process.

Further detail regarding performance is held in the savings summary.

- 3.2.5 The ringfenced Public Health grant continues to be forecast to balance to the budget.

### **Children's Services**

- 3.2.6 Forecast - £2.575m Adverse Variance Position: The £2.575m forecast adverse position is largely due to the Looked After Children (LAC) Placement and additional service pressures described below. Some of these pressures are forecast to be mitigated by employee vacancy savings:
- 3.2.7 Children's Social Care - Full Year Forecast: £2.347m Adverse
- 3.2.8 Looked After Children (LAC) placement expenditure – Full Year Forecast: £2.495m Adverse.
- Although there was not a significant increase in the number of LAC, there are pressures on expenditure which are driven by increases in complexity of need and market rates which are supplier driven. The average rate for residential placements for this period is £3,091 per week (£3,073 per week last quarter), an increase of 17% from the base rate used for budget setting. Following Ofsted inspections, detailed plans, which include the review of the future for the LAC placements, are underway.

- The neighbouring authorities are experiencing a similar trend of increased rates, also an increase in LAC numbers. Wirral is performing favourably compared with the other authorities in both aspects.

### 3.2.9 Modernisation & Support - Full Year Forecast: £0.048m Adverse

- £0.048m pressure from the contact contract (supervised visits) with Active8 is included in this area's forecast. The increased pressure is due to the extension of this contract and the delay in operating the service in-house, which will be at a reduced cost. This has been mitigated by the surplus from employee costs.

### 3.2.10 Early Help & Prevention - Full Year Forecast: £0.315m Favourable

- £0.3m pressure from the Complex Investigation Team, £0.17m loss of income from the cessation of non-statutory service and £0.14m additional pressure from the Emergency Duty Team (EDT). The favourable position is driven by part year vacancies and staff not at top of grade, as well as the Pause programme (£0.45m) being on hold.
- There is an additional burden of the new cost sharing arrangement with Adult Social Care (£0.106m).
- Troubled Families income is forecast to achieve the target. However, it remains challenging considering the increased income target by £0.6m in addition to addressing the reduction in guaranteed Government grant income on Attachment Fees by £0.48m.

### 3.2.11 Schools: Full Year Forecast: Balanced position

- Schools are forecasting a balanced position, but further detailed work is ongoing to identify likely spend on Special Education Needs (SEN), with a more representative forecast expected for Quarter 2. Current demand on SEN services is outweighing the grant funding available and the budget includes a contribution from the ringfenced Dedicated Schools Grant (DSG) reserve of £2.3m, leaving no funding in reserve for future years. An independent review of SEN provision is in progress with outcomes expected by the end of the Autumn term.
- Individual school budgets are also under increasing pressure due to increasing pay and pension costs amongst other pressures, and there is currently no indication of any additional funding in future years (subject to the Central Government spending review). There was £8.9m remaining in the school balances reserve at the end of 2018-19, but a number of schools are having difficulty setting a balanced budget for 2019-20, with a likelihood that the reserve will reduce further.
- A more detailed report identifying the key pressures and risks relating to schools funding will be produced for Cabinet later in the year.

### 3.2.12 Safer Wirral Hub - Full Year Forecast: £0.140m Adverse

- The key driver of the variance is within community safety, with regard to staffing related expenditure (£0.060m), and an under-achieved income target (£0.220m), due to a loss of major clients – Magenta Housing and Academy Schools. Restructure is currently ongoing to address this position.
- Other areas of Safer Wirral Hub are offsetting the overall position with no expectation of reduced service provision.

## **Business Management**

### 3.2.13 Forecast - £0.198m Adverse Position

### 3.2.14 Legal & Governance is the main aspect of the forecast variance - Full Year Forecast: £0.265m Adverse

- The key driver is within the Coroner's service. Deficit position is due to an increase in accommodation costs and an increase in demand for the service. Currently the risk is not mitigated, but analysis is being undertaken with Liverpool City Council, as this is a shared service, with the aim of reducing the expenditure.

## **Economic Housing and Growth**

### 3.2.15 Forecast - £0.079m Favourable Position

- The majority of the favourable forecast position is driven by savings of £0.073m in employee costs due to the delay in senior recruitment and £0.024m of improvements to income due to increased demand in planning.
- Income of £5.45m was originally anticipated in 2019-20 from development within the Wirral Growth company. However, as the partnership with Muse has matured, the partnership agreement has been refocussed to ensure any development is designed in consultation with residents, Members and partners to ensure the maximum financial and economic benefits can be realised for the Council. This may result in additional income but the expectation is that funds will be received later than originally planned. The income variance will be offset by a reduction in associated expenditure of £1m, expenditure that can be capitalised of £0.6m and a transfer from the Economic Growth reserve, which was established to cover such delays in regeneration developments.
- Delivery of the Local Plan remains a key priority, with regular meetings with the Queen's Council (external legal advisors) to ensure robust evidence is in place. Available reserves have been set aside to cover the local plan costs, with an estimated cost of delivery £2m over three years.

## **Delivery**

### 3.2.16 Forecast - £1.634m Adverse Position

### 3.2.17 Community Services - Full Year Forecast: £1.046m Adverse

- There are ongoing income pressures (£0.3m) within Sport & Recreation which the service is working to mitigate. Commercial officers have been appointed to the Service to improve demand for memberships and explore new income streams aimed at reducing this adverse pressure.
- The expectation of the 2019-20 budget was for the approved budget savings, relating to the transfer of operations at the Floral and two golf courses, to be fully achieved. However, continuing delays in the implementation of both projects will mean the £0.66m saving target is unlikely to be realised in 2019-20 and has yet to be found.

### 3.2.18 Highways & Streetscene - Full Year Forecast: £0.985m Adverse

- Car parking income is expected to fall short of the budgeted target by approximately £0.3m. This is due to less car parking income available from Asda supermarket customers.
- The termination of the Council's Litter Enforcement contract highlighted a net budget shortfall of £0.5m within the Waste & Environment Service Area. Officers are reviewing alternative options to bridge this budget shortfall.
- There has been a slower than anticipated take up of the Garden Waste Subscription service. If this trend were to continue it could cause a budget shortfall of approximately £0.2m. Work is ongoing to attract new subscribers through promotional activity and advertising, aimed at reducing this variance.

### 3.2.19 Housing - Full Year Forecast: £0.392m Favourable

- The favourable budget forecast within Housing is predicated on the current cost of Supported Housing contracts based on current occupancy rates.

## **3.3 ACHIEVEMENT OF 2019-20 SAVINGS**

3.3.1 In March, the Council approved £45m of savings to balance the 2019-20 budget. As at Q1, 86% are achieved or expected to be achieved. 8% are partly achieved or require further work to ensure the full saving can be achieved by the end of the year. 6% are at risk of not being delivered. These are:

- Children - Business Support Saving. This was originally planned to be delivered through a back-office review, and the restructure. The element required through the restructure has not materialised and the saving is now being re-analysed as part of back-office review.

- Floral - Submissions from preferred providers of an expert operator model for the Floral Theatre will be received, with a recommendation passed to the Portfolio Holder to enable negotiations. The saving was predicated on a full year saving of Revenue costs (£0.55m), which will not fully materialise in this financial year.
- Golf - A preferred provider, as an expert operator for the golf courses, has been identified. Following an O&S Committee the saving is yet to be realised. The delay in the project will impact the level of revenue savings which can be achieved in 19/20. The £0.11m saving was predicted on a full year position.

### **3.4 MEDIUM TERM FINANCIAL STRATEGY 2020-2025**

- 3.4.1 Each quarter the revisions to the Medium Term Financial Strategy (MTFS) will be reported to Cabinet. The MTFS is a dynamic document which changes as a result of many factors e.g. changes to market growth, revisions to savings plans, changes to legislation, delays or accelerations to ongoing projects etc. Each year in order to reset the MTFS to ensure it is robust, all the current savings plans and pressures are removed to assess the extent of the budget gap for the following year. This is to enable a true representation of the financial position.
- 3.4.2 For 2020/21 the current pressures total £56m. These include the expected final cut of the government grant and an expected cut to the Public Health Grant, demand and increased case complexity pressures from social care, the loss of income from the termination of the Kingdom contract, contractual inflation and an anticipated increase in pension costs. These pressures have been reviewed and revised to ensure they represent an accurate picture. The savings to offset these pressures in 2020/21 total £16m. These include innovative and preventative activities to offset demand, increased income and staffing changes. Therefore, the anticipated budget gap for 2020/21 is £40m.
- 3.4.3 At present there is uncertainty over whether any funding will be available from the Government for 2020/21 as the outcome of the funding formula review has not yet been announced. This makes it very difficult to plan over the longer term. It is anticipated that the result of this and an announcement on funding will be available in December 2019. This may result in the current budget gap being less than expected of £40m. However due to the late notification of this, work is currently underway to identify proposals to meet the £40m gap from 2020/21. In the event of the Government providing additional support via funding, it is anticipated that this will only delay the requirement for the £40m by 12 months to 2021/22. Therefore, planning is underway to mitigate this gap in advance.



### 3.5 CAPITAL PROGRAMME

#### PROPOSED CAPITAL PROGRAMME FOR 2019/20

3.5.1 The Programme for 2019/20 is a dynamic programme and as a result is subject to change. It now reflects the following changes since the programme was originally approved in February. These are then detailed in Tables 2 and 3.

	<b>£m</b>
Programme agreed by Cabinet on 18 February 2019	90.083
Re-profiling	(7.079)
Additional grant funding	7.434
Additional requirement	0.642
Reduced requirements	(2.346)
<b>Revised 2019/20 Programme</b>	<b>88.734</b>

**Table 2: Capital Programme 2019/20 at 30 June 2019**

	Capital Strategy (as agreed at Council)	Proposed Programme	Q1 Actual Spend
	£m	£m	£m
Adult Care & Health	6.747	7.258	0.056
Business Management	9.951	10.508	0.009
Children Services	6.255	8.847	0.601
Delivery Services	39.418	42.869	2.093
Economic & Housing Growth	27.712	19.252	0.132
<b>Total Expenditure</b>	<b>90.083</b>	<b>88.734</b>	<b>2.891</b>

NB: Capital Programme expenditure is seasonal, actual spend to date is not the only indicator of over / underperformance of the capital programme. Analysis work is currently underway to enhance phased forecasting information.

**Table 3: Significant Variations to the 2019/20 Programme identified since March 2019**

<b>Scheme</b>	<b>£m</b>
<b>Adult Care &amp; Health</b>	
Extra Care Housing - re-profiling	0.440
<b>Business Management</b>	
Sustainable Transport Enhancement Programme	0.374
Windows 10 Rollout	(0.250)
<b>Children Services</b>	
Schools modernisation, remodelling and basic needs – grant variation and re-profiling	2.169
<b>Delivery Services</b>	
Transport for Growth grant variation and re-profiling	2.661
LED street lighting replacement – reduced requirement and re-profiling	(1.666)
Street lighting column upgrade/replacement - re-profiling	(1.115)
Aids to navigation – re-profiling	(0.720)
Key Route Network	0.259
Landican chapels - re-profiling	0.200
West Kirby Sailing Centre – re-profiling	0.209
Aids, adaptations and DFGs - grant variation and re-profiling	4.006
Clearance	(0.200)
Home improvements	(220)
Parks machinery – subject to further review/report	(1.323)
Parks vehicles – subject to further review/report	(0.552)
Highway maintenance - reprofiling	0.193
Tower Road National Productivity Investment – re - profiling	0.188
Dock Bridge and other bridges – re-profiling	0.178
Beach cleaning equipment – re-profiling	0.171
<b>Economic &amp; Housing Growth</b>	
Wirral Waters Investment Fund – re-profiling	(4.200)
Eureka – additional funding requirement	0.200
Community Bank - re-profiling	(4.250)
Other minor variations	1.457
<b>Total</b>	<b>(1.791)</b>

3.5.2 Current progress on the more significant schemes is provided in the following sections.

## **3.6 DIRECTORATE UPDATES**

### **Adult and Social Care**

- 3.6.1 **Extra Care Housing:** The Council is to pay Alpha Living 75% of the allocated grant of £0.44m in order for 78 units of extra care to be developed at Woodpecker Close. Site works have now commenced. Completion is expected to be in August 2020. 75% of the grant of £0.105m is also due to be paid to Magenta for the 21 extra care apartments at Barncroft. 25% of the grants are held back based on completion criteria.

### **Business Management**

- 3.6.2 The largest scheme within this area is the Enterprise Resource Planning project. This scheme, relating to core IT financial systems, is currently in the Discovery stage with the intention to shortly move into the Design phase. The proposed Invitation to Tender is scheduled to go out in the Autumn.

### **Children's Services**

- 3.6.3 **West Kirby Primary School:** The project consists of a new main entrance with improved security, reception and office, minor internal re-configuration and infill of an unused area to form a new classroom in a non-traditional design. The scheme has a committed value of over £0.3m of which £0.137m has been spent this year.
- 3.6.4 **New Brighton Sports Barn:** This is a stand-alone sports barn development to provide the school and community with the facility to carry out sports curriculum and improve pupil lifestyle and well-being. The project has been tendered to the amount of £0.4m; of which £0.12m has been spent this year.

### **Delivery Services**

- 3.6.5 The demolition of Seacombe Community Centre has been completed at a cost of £0.13m.
- 3.6.6 Transport for Growth - the major work to date has focused on Twickenham Drive, Leasowe and Liscard Village town centre (£0.048m) and various footway and cycleway improvements (£0.057m).
- 3.6.7 Aids, adaptations and Disabled Facility Grants (DFGs) - spend is influenced by several factors including referrals received and the extent/value of the adaptations required. A new home adaptation pilot commenced August 2018 and the stair lift contract is facilitating faster installation of lifts and hoists. To date £0.523m has been spent.
- 3.6.8 Leasowe 3G pitches - work is expected to commence on 29th July with a 22 week build.
- 3.6.9 Fitness equipment upgrade - £0.28m has been spent already, with the remaining £0.06m allocated and on order for delivery in August.

3.6.10 Wirral Tennis Centre facility upgrade – utilising a framework agreement to award the contract which will be supported by asset management and procurement. This will be a trial of a partnership approach with the private sector.

3.6.11 Key Route Network – relates to schemes that ensure that key roads and routes operate efficiently. Two schemes are currently being progressed on which £0.483m has been spent – Wirral Waters safety upgrade and the A41 corridor improvements.

### **Economic and Housing Growth**

3.6.12 Within the Programme is an allocation of £10m for investment in properties. Closely linked to progressing Wirral Growth Company, it is intended to fund potential acquisitions.

3.6.13 Wirral Waters Investment Fund – commitments total £1.8m for this year. £0.3m which must be spent by March on the “Green Civilised Streets” project and a contribution of £1.5m towards the Marine Energy Automotive Park.

3.6.14 Housing Infrastructure Fund – potential areas to be progressed are:

- Woodside Master Plan - £0.15m
- Urban Brownfield Sites Assessments Study - £0.17m
- Birkenhead Regeneration Framework and Delivery Action Plans (focused on housing delivery) - £0.2m;
- There will be further costs associated with the delivery of the Legacy Housing scheme (Wirral Waters One) and with the Urban Splash / Belong housing schemes. The scale of the costs is currently being assessed.

### **FINANCING OF THE CAPITAL PROGRAMME**

3.7 Table 4 summarises the financing sources.

**Table 4: Revised Capital Programme Financing**

<b>Capital Programme Financing</b>	<b>Capital Strategy</b>	<b>Q1 Revised Programme</b>
	<b>£m</b>	<b>£m</b>
Borrowing	53.443	48.670
Grants/loans	30.640	37.822
Capital Receipts	0	0.442
Business Rates (Wirral Waters - ring-fenced)	6.000	1.800
<b>Total Financing</b>	<b>90.083</b>	<b>88.734</b>

Any re-profiling that reduces borrowing will produce one-off revenue savings. A permanent saving only occurs if schemes cease, otherwise the full budget will be required in 2020/21 when the re-profiled expenditure is incurred.

## **4.0 FINANCIAL IMPLICATIONS**

- 4.1 This is the Quarter 1 budget monitoring report that provides information on the forecast outturn and progress against the capital Programme. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to Cabinet, the financial position is reported monthly at each Directorate Management Team and corporately at the Strategic Leadership Team (SLT). In the event of any early warning highlighting pressures and potential overspends, the SLT take collective responsibility to identify solutions to resolve these to ensure a balanced budget can be reported at the end of the year.

## **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: STAFFING, ICT 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:
- (I) Senior Leadership / Directorate Teams regularly reviewing the financial position.
  - (I) Availability of General Fund Balances.
- 7.2 The possibility of failure to deliver the Capital Programme will be mitigated by the monthly review by a senior group of officers, charged with improving performance.
- 7.3 The generation of capital receipts may be influenced by factors outside the Authority's control e.g. ecological issues. Lambert, Smith, Hampton are providing external support to maximise the Council's income and advise on strategy.

## **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 on financial performance

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

- 10.1 This report is essentially a monitoring report on financial performance

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## **APPENDICES**

### **BACKGROUND DOCUMENTS**

#### **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
<b>Budget Council</b>	<b>4<sup>th</sup> March 2019</b>