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To: Members of the Cabinet

Date: 12 January 2016
Our Ref:
Your Ref:

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Dear Councillor

CABINET - THURSDAY 14TH JANUARY, 2016

I refer to the agenda for the above meeting and now enclose the following report which was unavailable when the agenda was printed.

Agenda No.	Item
10.	Budget 2016/17 and Medium Term Financial Plan 2016 - 2020 (Pages 229 - 244) Report of the Chief Finance Officer

Yours sincerely,

J. COULE

Head of Regulation and Compliance

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Report to: Cabinet

Date of Meeting: 14 January 2016

Subject: Budget 2016/17 and Medium Term Financial Plan 2016 - 2020

Report of: Chief Finance Officer

Wards Affected: All

Is this a Key Decision? Yes

Is it included in the Forward Plan? Yes

Exempt/Confidential No

Purpose/Summary

This report is made up of three key sections;

- Updating the 2015/16 and 2016/17 financial plan
- Options to balance the 2016/17 budget
- An overview of the forecast for 2017/18 to 2019/20

The report has been prepared on the best available information. Some funding allocations have not yet been notified to the Council and best estimates have been used, including the Public Health Grant. The resourcing of adult social care activities through the Better Care Fund is still the subject of negotiation with the CCGs and at this stage this remains a considerable risk to the Council's financial plan.

A report to Council in March 2016 will contain any further updates and require the Council to agree the Budget and the Council tax for 2016/17.

This report contains the information provided on 17th December 2015 as part of the Provisional Local Government Finance Settlement and also includes budget pressures which Sefton Council will be required to consider in determining a 2016/17 budget and a robust financial plan into the following three years.

Given the unprecedented magnitude of these additional cuts, particularly for 2017/18 – 2019/20, Councillors should be prepared for reductions which will be visible to communities throughout a range of aspects of daily life.

This report:-

- Updates the Council's financial position for 2016/17 after taking into account the Local Government Finance Provisional Settlement announced on 17 December 2015;
- Sets the financial position in the context of the Council's priorities;
- Outlines the gap remaining for 2016/17 and proposes savings options that will

Agenda Item 10

- contribute to the delivery of a balanced budget for 2016/17;
- Identifies the forecast budget gap for 2017/18 to 2019/20;
- Considers changes in accounting policy which will support the Council over the short and medium term in setting of a medium term financial plan.

Recommendation(s)

Cabinet is recommended to:

- Note the update of the Local Government Finance Provisional Settlement for 2016/17
- Consider the funding and budget options for 2016/17 as set out in para 4.5, including the use of Social Care Council tax precept, use of the Better Care Fund and the revised use of one- off reserves;
- To note that the use of one-off resources is not sustainable in future years and savings will need to be found from 2017/18 to replace the use of one-off resources in 2016/17.
- Note that Council will be required to consider the coherence of the proposals when taken as a whole at the March 2016 Council meeting in setting the 2016/17 budget;
- Request the Chief Finance Officer to present a formal amendment to the methodology for Minimum Revenue Provision calculation to the next Cabinet for approval (as outlined in para 4.4.2); and
- Note the forecast additional budget saving requirement for 2017/18 – 2019/20 (as outlined in para 5.1) ;
- Agree to the preparation of a new four year financial plan to cover the period of the Government Comprehensive Spending review (para 5.8) .

How does the decision contribute to the Council’s Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community			√
2	Jobs and Prosperity			√
3	Environmental Sustainability			√
4	Health and Well-Being			√
5	Children and Young People			√
6	Creating Safe Communities			√
7	Creating Inclusive Communities			√

8	Improving the Quality of Council Services and Strengthening Local Democracy			√
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Reasons for the Recommendation:

To ensure that the Council is fully aware of the latest MTFP position and the identified saving requirements in each of the next four financial years; and to agree the approach of identifying saving options in three distinct phases: -

- i) Funding and budget changes to arrive at a balanced budget for 2016/17 to be agreed before the statutory date of 10 March 2016;
- ii) To commence the preparation of a sustainable and robust balanced financial plan to 2020.

(A) Revenue Costs

The proposals, including the option to levy a Social Care Council tax precept, contained in the report update the call on the Council's general reserves in 2016/17 to £0.905m plus a further £6.000m call on one off resources if the work to identify funding support for social care from the Better Care Fund is not achieved. The success in using the Better Care Fund for Social Care pressures will reduce the need for the Council to identify further savings in the future as the use of one off resources is not sustainable. If a reduced amount is supported by the Better Care Fund the Council will need to consider finding alternative savings during 2016/17 to avoid this becoming a further call on the Council's reserves.

The indicative reduction in Government general grant (including Revenue Support grant) is £14.0m for 2016/17 and £21.7m for 2017/18 to 2019/20.

(B) Capital Costs

This report does not include any proposals to amend or add to the existing capital programme. The Capital programme will be considered at the Cabinet next meeting. The revenue budget does assume revenue provision for the funding of a capital programme in line with the 2015/16 programme. Government capital allocations are not known at the time of writing this report.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal		
Human Resources		
Equality		
1.	No Equality Implication	<input type="checkbox"/>
2.	Equality Implications identified and mitigated	<input checked="" type="checkbox"/>
3.	Equality Implication identified and risk remains	<input type="checkbox"/>

Agenda Item 10

Impact on Service Delivery:

Service implications of the two year financial plan for the period 2015 to 2017 as agreed at March 2015 were given to Council in March 2015. This report does not propose any further changes to service standards or policies other than relating to Treasury Management accounting policy.

What internal consultations have taken place on the proposals and when?

Regular and ongoing consultations will take place with the Chief Executive, Executive Directors, Heads of Service and Trade Unions.

The Chief Finance Officer is the author of this report. (FD 3987/16)

The Head of Corporate Legal Services (LD 3270/16) has been consulted and her comments have been incorporated into the report.

Are there any other options available for consideration?

Additional budget savings and options will need to be identified by 3 March 2016 to ensure that the 2016/17 financial year's budget can be balanced. It is a legal requirement to set a balanced budget and to ensure the medium term financial position is robust. The 2017/18 Budget will need to be balanced in March 2017. Considerations will also need to be given to the 2018/19 and 2019/20 budget position, as a result of the indicative grant reductions announced by the Government.

Implementation Date for the Decision

Immediate following the meeting

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Background Papers:

1. Introduction

- 1.1 In March 2015 the Council agreed a two year financial plan covering the period 2015 to 2017. The service changes required to achieve this plan have largely been put in place and the Cabinet and the Overview and Scrutiny Committee (Regulation and Corporate Services) receive regular reports throughout the year outlining the progress and other ongoing budget risks and opportunities.
- 1.2 The agreed plan made assumptions about the funding levels for 2016/17 which this report updates following the Government announcements in the autumn, the Comprehensive Spending Review and the Provisional Local Government Finance Settlement.
- 1.3 The Government announcements included key national budget decisions which are likely to have an impact on the Council and also the local economy, these are outlined in Paragraph 2, along with specific Sefton funding allocations.
- 1.4 The funding from the Department of Health for Public Health has not yet been announced and whilst not expected to be available until late January an estimate has been made of the level of likely reduction in grant for 2016/17. An overview of other grants for 2016/127 is given in paragraphs 2.13 to 2.15.
- 1.5 The Chancellor's Comprehensive Spending Review covers the remaining life of this Parliament and gives a very clear overview of the financial targets to 2020. This gives the Council sufficient indication of the likely budget reductions required to 2020. The Cabinet are asked to consider that the officers prepare a single updated medium term financial plan to cover the period 2017/18 to 2019/20 and also prepare a related budget preparation work plan which seeks to give the Council the opportunity to consider the policy changes required to have balanced finances as part of a **three** year financial plan.
- 1.6 The preparation of a financial plan to 2020 will assist Members in determining whether to accept the certainty of a four year funding settlement which the Minister is offering to Local Authorities.
- 1.7 The development over the coming six months of a three year financial plan for 2017 to 2020 will be a very large piece of work and will be best achieved if leadership capacity is focused on future planning and analysis. To assist this, the proposals outlined in this report relating to the 2016/17 budget are in line with the Council agreed 2015/17 two year financial plan and shorter term measures have been identified to meet changes which were not known at March 2015. The longer term implications of those 2016/17 budget demands will be factored into the three year financial plan to be addressed in a sustainable manner going forward.

Agenda Item 10

2. Government Funding Announcements

- 2.1 Since 2011 the Council has faced unprecedented reductions in its funding which has led to £146m of savings being identified, implemented or are in the process of being implemented for the five years to 2015/16.
- 2.2 The Comprehensive Spending Review (CSR) for 2016 to 2020 set out the spending plans for the Government over most of this Parliament and continues austerity measures aimed at removing the structural deficit in public spending by 2020.
- 2.3 The CSR confirmed that four areas would be protected, these being those protected in the previous five years; NHS, Schools and Overseas Aid and Defence. In addition Police spending would be protected in real terms over the coming few years.
- 2.4 The Chancellor announced a reversal of the plan to change working family tax credit, but stated that the target welfare reductions over the four years would remain at £12bn.
- 2.5 Major changes to Local Government funding were announced including the phased move to a complete localisation of Business Rates by 2020. This will be linked to the phasing out of the Revenue Support Grant over the same period and the transfer of funding responsibilities from central to local government. It is anticipated that these changes will commence from 2018 onwards and are likely to be phased in up to 2020. A consultation is being undertaken by DCLG to determine the method by which local authorities will be able to retain Business rates to fund services and this will include consideration of the re-distribution nationally of the Business rates which will underpin the new funding regime. The outcome of this major change is unlikely to be known until late 2016 or 2017.
- 2.6 The Chancellor also announced a move to a national funding formula for schools and a phased end to Council controlled schools.
- 2.7 Councils with responsibility for social care are being given the ability to raise a Social Care precept of an additional 2% per year on Council tax to fund pressures in this area.
- 2.8 The Better Care Fund will be increased nationally by £1.5bn, phased from 2017 and implemented by 2020. £700m of this will be top-sliced from Local Government funding.
- 2.9 The New Homes Bonus will be amended to reduce the period of payment from six to four years.
- 2.10 The Provisional Local Government Finance Settlement (December 2015) was published on 17th December 2015. It includes the provisional position for the next four years and is consistent with the Government's austerity plan into a 10th year, 2020. The Minister has also announced the intention to give each local authority the opportunity of increased financial certainty by accepting this

year a minimum funding settlement for the coming four years to 2020. The Minister has yet to publish the way in which Councils will be required “to demonstrate they have got plans to make themselves more efficient during that period” though early indications are that the production of a medium term financial plan may be sufficient to meet this requirement. This would give the Council some certainty over the level of revenue support grant but at this stage clarification continues to be sought regarding the responsibilities the funding settlement would cover, the reporting requirements and a greater understanding of the risks which the Council would have to carry.

2.11 The Council’s general grant (revenue support grant) is to be reduced by £14.0m for 2016/17 and a further £21.7m for the following three years. Equivalent grant funding for the period 2010 to 2020 will have reduced by £105.3m.

2.12 The grant position for the next four years is given below

	2016/17	2017/18	2018/19	2019/20	TOTAL
	£m	£m	£m	£m	£m
General grant	98.008	87.660	81.828	76.145	343.778
Reduction £m	(14.034)	(10.349)	(5.831)	(5.683)	35.760
Reduction %	12.5%	10.6%	6.7%	6.9%	9.4%

2.13 The maximum increase in Council tax before requiring a local referendum has been set at 2% with the additional ability to raise a further 2% as a Social Care precept referred to above.

2.14 The Department of Health Public Health Grant reduction for 2015/16 was reported to the Cabinet in December and is £1.3m. The Department of Health has indicated that future years’ allocations nationally will reduce by a further 2.2% and that it was considering a review of the allocation methodology which could reduce the amounts further. The final allocation has not yet been announced.

2.15 The Education Services Grant for 2016/17 is £3.036m, which is a reduction of £0.332m (9.9%) compared with 2015/16. The Dedicated Schools Grant will be finalised after the pupil census is complete and will be based on a nil increase per pupil.

3. Council Priorities

3.1 The following priorities were agreed by the Council in January 2015 and used in determining which areas of the budget were to be protected as far as possible. These principles are still valid and will be applied in the determination of any further budget reductions agreed for 2016/17.

Agenda Item 10

3.2 It is important to ensure that budget cuts take into account the relative priority of services. Through various consultation responses the communities of Sefton have identified the following thematic priorities

- Most Vulnerable
- Community Resilience
- Economy
- Environment
- Health and Wellbeing

3.3 Of course these priority themes can comprehensively cover most Council services and therefore it is necessary to differentiate what is the most important activity the Council undertakes to support its communities i.e. its core purpose. Council budget discussions over the last 4 years have centred on the priority given to our most vulnerable people and also those core services that Council Tax payers expect to see delivered. In addition, prominence has also been given to building more confident and resilient communities and, of course, economic prosperity is extremely important in building a sustainable Borough going forward. Therefore in order to inform the allocation of a significantly reduced resource, the Core Purpose of the Council is assumed to be: -

- **Protect the most vulnerable** i.e. those people who have complex care needs with no capacity to care for themselves and no other networks to support them.
- **Commission and provide core services** which meet the defined needs of communities and which are not and cannot be duplicated elsewhere.
- **Enable/facilitate economic prosperity** i.e. maximise the potential for people within Sefton to be financially sustainable through employment/benefit entitlement.
- **Facilitate confident and resilient communities** which are less reliant on public sector support and which have well developed and effective social support networks.

The imposition of further significant reductions in Government grant to the Council in 2017/18 and beyond may require the above principles to be reviewed. The Authority is likely to be faced with having to make decisions that would ordinarily be deemed totally unacceptable - in order to comply with the Government imposed cuts. However, at the present time, these principles still apply.

4. **Budget 2016/17 – Update**

4.1.1 The Council at its meeting of 5 March 2015 agreed a two year financial plan which contained the budget for 2015/16 and the policy changes required to deliver a balanced budget for 2016/17. The 2016/17 plan made provision for two reviews to be completed and the balance to be met from one off resources. It was estimated in March 2015 that the level of one-off resources would be up to £4.940m.

4.1.2 The forecasts made in March 2015 for 2016/17 are impacted upon by both changes in government funding and other income levels changing over the year and by the cost of delivering the levels of services approved by the Council as part of the eligibility criteria for services and the cost of provision. The following paragraphs outline in more detail the changes these variables have had on the March 2015 forecast of the 2016/17 financial plan.

4.2 Government Policy and Funding Changes 2016/17

4.2.1 The Government has made several policy and funding changes since March 2015 which impact on the budget for 2016/17. At this stage these are **estimates** of the financial implications.

Reduction in specific grants for 2016/17 are estimated to be :

Estimated government cut in Public Health Grant	£ 3.500m
Estimated government cut in Education Support Grant	£ 0.332m

4.2.2 The Government is introducing a National Living Wage (NLW) in all sectors of the economy which will set minimum rates of pay for all employees over 25. These rates will increase to over £9 per hour by 2020. This will need to be built into the Council's forecasts for pay and prices inflation. The two year financial plan does not have contingency for general inflation. The Council has been successful in negotiating its costs of services in line with or below inflation and finding efficiencies through procurement. To reflect the change in circumstances since March 2015 it is proposed that a contingency is created to ensure that the Council takes account of the risk related to pay and prices pressures during 2016/17. This will be strictly controlled and only released if and when required.

Pay and prices inflation contingency (inc NLW)	£ 6.000m
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4.2.3 As part of the DCLG announcement of the settlement Funding for the implementation of the Care Act (£1.962m) and the Lead Local Flood grant (£0.025m) have been transferred into the General grant at a lower rate than the previous funding. The net reduction in revenue top up grant and Business rates section 31 grant is £0.3m. This has resulted in a net loss of funding to the Council of £0.790m.

4.3 Council Budget Pressures 2016/17

Following a review of the service budget forecasts the **following additional budget pressures** have been identified: -

4.3.1 Specialist Transport Unit

The Cabinet has been reminded of the ongoing deficit in the provision of specialist transport provision, especially for children and has considered options to review policies to reduce the costs through service changes. The forecast for 2016/17 includes the need to allocate an additional **£2.2m** to this

Agenda Item 10

budget to fund the continuation of the current agreed service policies and eligibility criteria.

4.3.2 Adult Social Care

The 2015/16 and the 2016/17 budgets were prepared on the basis of contributions of **£3m and £6m** in each year respectively from the Better Care Fund to support the growing cost pressures for adult social care. This was to be met in part by the performance reward payment from the Department of Health to the Sefton CCGs relating to reductions in non-elective admissions from emergency and accident units. These targets have not been met and the Cabinet has been informed that the reward payment of £1.8m is unlikely to be achieved in 2015/16.

No other efficiencies or cost reductions have been identified to date to support the £6m which the Council has budgeted as income from the Better Care Fund in 2016/17. Whilst work continues to identify changes which would bridge this gap Members are advised that the Chief Finance Officer and the Chief Executive believe that adjustments for a shortfall of **£6m** should be made to the 2016/17 financial plan at this stage. **Work will continue to identify the opportunities to fund up to £6m of social care related activity through the Better Care Fund and the remainder of the £6m will need to be the subject of future report to Cabinet to outline how social care related services can be reduced to maintain a balanced budget.**

The Cabinet is reminded that

- the Government policy and political direction is that the integration of Health and Social Care facilitated through the Better Care Fund would protect Social care and the growing pressures on this budget due to demographic increases.
- The Council has received no increase in funding despite Government promises
- The Council will consider its legal options should mediation not be successful

4.3.3 Children's Social Care – Looked After Children

Cabinet are familiar with the growing pressure arising from the increased numbers of Looked After Children and the challenges being experienced to reduce the total cost of child places, especially for out of borough residential care. Whilst there has been some success in the use of adoptions and in-house fostering support this has not been able to offset the forecast deficit of **£2.5m**.

4.3.4 Waste Collection – Co-Mingling

The redesign of the waste collection service to move towards co-mingling of waste gives a short term additional cost of £0.5m which can be met from the specific reserves transferred from the Merseyside Recycling and Waste Authority.

4.3.5 Staff pay

The two year financial plan assumed that the annual inflation pay award for staff would be covered by a 1% increase in the pay related budgets. This has

been retained in this update and the Cabinet will be updated when the final national negotiations are concluded. In 2015/16 the increment payment due to staff was actioned as part of the two year financial plan with a budget assumption that a further increment for 2016/17 was not to be funded. The updated 2016/17 budget reinstates the cost of the 2016 increment where it is due to employees at an overall cost of £1.5m

4.4 Council Funding and Savings Reviews 2016/17

The budget pressures outlined above are partially offset by the following reductions in expenditure or increases in funding.

4.4.1 Voluntary Community Faith Review

The Council agreed in March that a review of contracts and support to the Voluntary, Community and Faith sector would be undertaken. The Cabinet received an report in the autumn of 2015 outlining the progress in this review. The budget forecast has been updated to confirm a budget allocation reduction of £1.5m will be achieved in 2016/17 as a result of this review.

4.4.2 Treasury Management

An opportunity has arisen to review the method of providing for the repayment of historic debt. Currently debt repayments are based on either the known life of a specific asset, or if no direct asset is known, then 4% of the outstanding balance of debt. A move towards an annuity basis of debt repayment where real terms equal instalments are paid over a fixed period of time would ensure equity of treatment for current and future tax payers, certainty of debt repayment and generate significant cost reduction in the short term (up to approx. 2030). It is proposed to introduce this revised basis in 2015/16 thereby generating a budget surplus of £4m in each of 2015/16 and 2016/17 which would be used as one off cost reduction to offset the unbudgeted cost pressures. This adjustment is not sustainable at this level beyond 2019/20 will require the Council to find sustainable budget savings going forward. However, in the short term the external auditors are aware of the proposal to expedite some of the immediate budget deficit in this manner.

4.4.3 Council Tax - increase in Tax Base

When the Council considered the two year financial plan in March 2015 it **included the assumption that the Council would choose to increase the 2016/17 Council tax by just below 2%** which is the maximum allowed without triggering a referendum.

The Council Tax base for 2016/17 is outlined elsewhere on this agenda but in summary is affected by two factors – the number of houses in the Borough and the level of exemptions and discounts applicable to those properties. The latest 2016/17 forecast indicates a net increase in the tax base of £3.343m.

4.4.4 Business Rate Income

The rateable value of all business rates hereditaments has increased over the last year which will contribute additional income to the Council of £0.130m in 2016/17. The level of appeals and uncertainty over the impact of the Business Rates review being undertaken by DCLG will continue to highlight the risk

Agenda Item 10

surrounding the forecasting of business rates especially as this becomes an increasingly critical and principal source of funding to the Council.

4.4.5 New Homes Bonus

The net achievement in increasing the number of homes within Sefton has been achieved approximately in line with the budget forecasts. A minor adjustment is made for the provisional allocation which has been announced by the DCLG and is £0.244m above the original forecast.

4.4.6 New Burdens Funding

The Council has been notified of additional New Burdens Funding in 2016/17 of :

Care Act – assumed additional expenditure	£0.155m
Sustainable Drainage Systems	£0.009m

4.4.7 Social Care Precept – Additional Council Tax

The Government has introduced a new power for Councils with Social Care responsibilities to raise additional funding to support the pressures on the Adult Social Care budgets. This allows Councils to levy an additional 2% Council tax which is to be used for Social Care. This report and the proposals include the additional resources to be achieved by increasing the Council tax accordingly, which equates to £2.129m additional income.

Agenda Item 10

The amendment to the agreed 2016/17 financial plan are:

	£m	£m
Estimated use of One-Off resources as at March 2015		4.940

Amendments to 2016/17 Financial Plan:

Government Policy and Funding Changes 2016/17

• General grant	0.790	
• Estimated government cut in Public Health Grant	3.500	
• Estimated government cut in Education Support Grant	0.338	
• New Burdens funding	<u>0.164</u>	
Net Cost of Government funding and policy changes		4.792

Council Budget Pressures 2016/17

• Pay and prices inflation contingency	6.000	
• Specialist Transport Unit	2.200	
• Shortfall in Better Care Fund to support Adult Social Care	6.000	
• Children's Social Care – Increased Looked After Children	2.500	
• Waste Collection – Co-Mingling short term costs of change	0.500	
• Waste Collection – Co-Mingling use of reserves	-0.500	
• Payment of staff contractual Increments in 2016/17	1.500	

Council Funding and Savings Reviews 2016/17

Voluntary Community Faith Review approved 2015	- 1.500	
Treasury Management Annuity Adjustment	- 8.000	

Other additional changes: -

Council Tax - increase in Tax Base	- 3.343	
Business Rate Income – net income	- 0.130	
New Homes Bonus	- 0.244	
Council Tax – one off surplus on collection fund	- 3.889	
Business Rates - one off surplus on collection fund	- 1.792	

Net Cost of Council funding and services changes -0.698

Budget Gap to be Bridged 9.034

Options for consideration

1. Option to levy Social Care Precept 2% additional Council Tax	2.129	
2. One off reserves to meet any shortfall in the use of the Better Care Fund or reduction in social care related activity	6.000	
3. Other use of general reserves	<u>0.905</u>	
	<u>9.034</u>	

The work to identify Better Care Fund Resources to support £6m social care activities would be prioritised to avoid the call on general reserves and progress will be reported to Cabinet on a regular basis.

Agenda Item 10

5 Overview of Future Years 2017/18 – 2019/20

5.1 The Government Settlement was announced on 19 December 2015. The main points from have been outlined above. The Council will face a range fo other financial challenges over the coming years to 2020 and the table below gives an overview of the current estimates of the likely impact on future levels of income. Clearly at this stage, given the high level of uncertainty around some of these they may be subject to change and will continue to be refined as the next financial plan is being prepared.

	2017/18	2018/19	2019/20	TOTAL
	£m	£m	£m	
Reductions in general grant (Inc. RSG)	10.3	5.8	5.7	
Estimated further reductions in Public Health grant	1.0	0.5	0.0	
Education Services Grant	0.7	0.7	0.7	
Pay and Prices inflation	4.0	4.2	4.0	
National Living Wage	3.2	3.4	3.5	
Adult and Children budget resizing	7.7			
Replacement of one off savings in 2016/17 with sustainable savings	7.0	0.0	2.0	
TOTAL BUDGET SHORTFALL	33.9	14.6	15.9	64.4

5.2 This preliminary forecast highlights for Members that the Council should be planning to balance its budget and in doing so will have to identify a combination of savings and increased income of approximately £64m over the coming year for delivery by 2019/2020.

5.3 The budget shortfall shown in this section of the report **does not include:**

- any increase in Council tax in the years beyond 2016/17,
- the Social Care Council precept which will continue through the financial period to 2020.
- Any further growth in costs of demand for social care or looked after children in future years beyond that adjusted for in 2016/17

5.4 Reductions of this magnitude cannot be achieved without significant impact on our communities and a requirement for the Council to be explicit about what are the most important services it continues to funds. However this is not just about the services the Council commissions or provides, it is also about the community leadership role the Council undertakes in order to influence and facilitate change and how it works in partnership with others to achieve better outcome for Sefton communities. The improved use of resources through

formal and informal partnerships, including the integration of health and social care, will become an increasingly critical component of setting budgets over the coming four years.

- 5.5 **The level of resources available to the Council will mean that the decisions that the Council will need to take will be about minimising the risks to communities and residents rather than avoiding reductions.**
- 5.6 There will be additional responsibilities falling on the Council throughout this time frame, especially supporting the delivery of care and the Council would have an option to raise Council Tax to support this by £2m p.a.

Setting a 2017 to 2020 Financial Plan

- 5.6 The Council has set three different **two** year financial plans covering the periods 2011/13, 2013/15 and 2015/17. This strategic approach has enabled the Council to focus on the delivery of services through the six years whilst implementing the significant service changes which have come about through not only the reduction in resources but also the implementation of very significant new policy changes. These changes cover a vast range of developments such as the introduction of health and social care integration, the Care Act, the Local Plan, changes in Council and Housing benefit changes, school restructures to academy status, economic investment reviews and the introduction of greater regional and partnership working.
- 5.7 It has become very evident over the last six years that the officer and Member management and leadership capacity to identify and to strategically assess the options has increased measurably as the challenge of reducing funding increases. The public makes a key contribution to the process and the bringing together of two year financial plans allows the communities to direct their focus on a more coherent collection of options rather than considering many smaller options in shorter time frames.
- 5.8 A report will be presented to Cabinet within the next two months recommending a process for Cabinet and Council to follow to facilitate the level of transformation which will be required to identify the options in order to agree a balanced sustainable budget throughout the period to 2020. This may support Members in determining if they wish to take up the Minister's offer of a four year financial settlement in order to plan its use of reserves and service planning.

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