

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		√	

Reasons for the Recommendation:

What will it cost and how will it be financed?

(A) Revenue Costs

Decisions taken as a consequence of this report will influence the Council's Revenue Budget and Council Tax for 2012/13 and thereby shape the Council's financial plans that year.

(B) Capital Costs

Implications:

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

Legal -	The Council is required to set a Budget and Council Tax level by 10 March 2012 and must consider the comments of the Chief Financial Officer before that decision is taken.
Human Resources -	None
Equality	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

What consultations have taken place on the proposals and when?

The Head of Corporate Finance (FD 1345) and Head of Corporate Legal Services (LD.706/12.) have been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

Implementation Date for the Decision

With immediate effect

Contact Officer: Margaret Rawding
Tel: 0151 934 4082
Email: Margaret.rawding@sefton.gov.uk

Background Papers:

There are no background papers available for inspection.

1. Introduction

- 1.1. The Local Government Act 2003 requires the Chief Financial Officer to report formally on the following issues:
- a) An opinion as to the robustness of the estimates made and the tax setting calculations.
 - b) The adequacy of the proposed financial reserves
 - c) The production of longer term revenue and capital plans.

The Council is required to take account of this report when determining its budget. This report represents an interim assessment based on the proposals elsewhere on this agenda. Therefore this opinion will be kept under review and may be revised in the light of the final budget proposals or amendments.

2. Summary Opinion

- 2.1. Having taken into account the issues detailed in the report, I am able to give a positive opinion on the robustness of the estimates and the adequacy of financial reserves. **This opinion is based on the budget savings already approved and the final proposals presented elsewhere on the agenda; in particular the Council Tax options and the limited use of one-off funding. Should any of the assumptions change which require the identification of significant additional savings or the use of other reserves and balances then this opinion will be reviewed.**
- 2.2. The proposed budget contains some significant risks given the extent of the savings. The consultation process and the evaluation of responses will help to mitigate the risks to vulnerable groups. All options require close monitoring of implementation and delivery and any non achievement reported and corrected in a timely way.

3. Robustness of Estimates

3.1. Estimates, Procedures and Processes

The Council has built on the method established last year for the prioritisation of resources and continues to keep all areas under review, reporting changes through the year to the Cabinet and Council. In particular the Council has :

- Identified further tactical savings where services can be delivered at less cost
- Reviewed the categorisation of all expenditure as critical, frontline, regulatory and other
- Continued to reduce managements and support costs through restructuring and contract renegotiation.
- Significantly increased the consultation of the budget options prior to decisions being taken.

The methods of consultation have been strengthened to incorporate greater consultation with all stakeholders. This has been supplemented by a formal consistent approach to the assessment of impact on all groups and detailed Equality Impact Assessments undertaken for vulnerable groups or service users.

In year financial monitoring is undertaken regularly and reported to Members to highlight any risks in the planned savings contained in the budget for 2011/12.

The appointment of the Head of Corporate Finance and ICT in 2011 strengthens the Council's financial support by separating the roles of Chief Executive and Section 151 Officer. The effective arrangements for internal audit have been enhanced by bringing together a wider team to support risk and risk mitigation across the Council.

3.2. Determination of the Legal of Resources Available

The forecast level of available resources was notified to the Council by Government in 2011 as part of the two year settlement. The confirmation of the 2012/13 settlement has not changed this forecast and therefore the Council has been able to plan for 2012/13 with more certainty than it was able to do for 2011/12.

There have been changes to the resources available in 2011/12 through one-year only grants that enables the Council to move into 2012/13 with the planned level of reserves despite some slippage in achieving the 2011/12 savings.

The Council will consider the Council Tax level. The assessment of the robustness of the budget is sufficient to give Members a choice of accepting the Council Tax Freeze Grant or raising Council Tax by 1.9%.

Whilst the 2012/13 resources can be planned with some certainty the Council will face significant uncertainty planning for 2013/14 onwards until the following areas are clarified nationally:-

- Council Tax Benefit costs transferring to the Local Authorities at a reduced rate.
- Implementation of the changes in NNDR outlined in the Localism Act.
- Future settlement levels and the rate of continuing public sector cuts.
- The adequacy of Public Health funding to transfer to Local Authorities from 2013.

In summary therefore the level of resources available to the Council is known for the coming year and this is reflected in the latest budget projections. The projection after this period remains uncertain and therefore will require close monitoring and analysis.

3.3. Key Budget Risks

a) Pressures on services

The proposed budget does make assumptions about the level of demand for Children and Adult Services. The increasing demand faced by Sefton, and nationally, will be a key risk throughout the foreseeable future. Current overspends in the Adults Care budget has been supported by additional external funding received during the year. The budget for 2012/13 will face similar pressures and although additional resources have been identified to support this demand it will require robust monitoring and management to minimise the risk of overspend.

b) **Achievability of approved budget savings**

Significant effort has been made to minimise the risk of non-achievement. High level implementation plans and early consultation have been completed and these will be closely monitored. In year monitoring will be crucial to ensure that required savings are achieved within the planned timescales and financial phasing.

c) **Use of One-Off Resources**

In setting the 2011/12 Budget the Council considered a review of the Council's earmarked reserves, which reappropriated £12m to support the Medium Term Financial Plan.

The Council has previously agreed that one-off funding should only be used to cover the implementation period of savings proposals or to cover non-recurring revenue spending that achieves longer term savings or efficiency gain.

The Framework Budget includes a use of resources to support the difference between the full year effect of specific savings and the level of savings achievable of these options in 2012/13. This allows transformation of services to be progressed and will benefit the Council's financial position in future years.

3.4. **Budget Assumptions**

The majority of these issues are addressed in the framework budget report elsewhere on this agenda. The more significant challenges around setting the budget are the assessment of the timescales within which service change can be achieved and the estimation of the effect of re-commissioning services. Variations to the estimated figures will be met from the general reserves. The MTFP contains additional resource in 2012/13 of £3.2m to support the changes in demographic pressures for social care.

The budget also assumes the continuation of the current low bank interest rates until at least 2014. This approach is supported by the Council's external advisors. The longer term view would be monitored closely.

3.5. **Political Group Budget Amendments**

At the stage of writing this report I have not been informed of any amendments from political groups to the framework budget. Should any be forthcoming they will need to be assessed and if necessary this opinion will be revised.

3.6. **Medium Term Financial Plan**

The medium term financial plan is still indicating a deficit of over £25m over 2013/14 and 2014/15. The Council is being asked to consider the areas for fundamental service reviews which will transform the delivery and may deliver further rationalisation of resources and possible savings. Identifying the savings for future will be extremely challenging and a robust approach will be presented to Members over the coming months.

The 2011/12 and 2012/13 budgets have been set in the context of the medium term position and some additional savings have already been phased to increase in future years.

3.7. **Advice on the level of General Balances**

The estimated level of uncommitted balances at 31 March 2012 is £4m. This assumes that the 2011/12 position is balanced. Current monitoring reports suggest that the 2011/12 budget will be on target, balancing increased demand for social care with additional funding from the PCT. Any surplus would ordinarily be added to general balances. There are no planned contributions to or from general balances in 2011/12 within the MTFP. This remains the recommended position.

General fund balances are amounts set aside to cushion the impact of unexpected events and emergencies. They should not ordinarily be used to underpin the budget unless it is part of a strategic plan and sufficient balances remain to cover potential risks and emergencies. One such risk relates to income collection levels. The Council will need to be mindful that the budget is based on a 98% Council Tax collection rate and this may be challenging to achieve due to the worsening economy. There is no scientific way in which the adequacy of these balances can be assessed. It is a judgement based on risk and potential exposure, the strength of financial reporting arrangements and the Council's track record in financial management. Views have been expressed in the past by the District Auditor that the level of general balances needs to be increased. It is certainly the case that based on the potential risks identified in this report, general balances may be called upon should some of these risks materialise. However, given the mitigations also identified in the report it is my view that, at this stage, the Council's current level of balances is appropriate to meet the potential risks. It is not recommended that balances should be reduced to support the budget other than the part year effect of two identified savings options. Obviously, if all the potential risks were to materialise it would have a significant impact on the level of general balances available for later years and in these circumstances it would be necessary to replace any general balances utilised.

The level of required balances has been determined on the basis that the mitigating actions are achieved and effective. If the mitigation is not effective and the risk outcomes are realised at the maximum levels the Council would need to replenish the balances immediately through the redirection of revenue expenditure.

4. Conclusion

- 4.1. Based on the assessment included in this report I have concluded that the budgets as proposed, and the associated systems and processes are sound, and the levels of General Balances/Reserves are adequate for supporting risks with mitigating actions. **Should any of the assumptions change which require the identification of significant additional savings or the use of other reserves and balances then this opinion will be reviewed.**