

Report to: Cabinet **Date of Meeting:** 5 February 2015

Subject: Revenue Budgets 2015/2016 and 2016/17

Report of: Head of Corporate Finance & ICT

Wards Affected: All

Is this a Key Decision? No

Is it included in the Forward Plan? Yes

Exempt/Confidential No

Purpose/Summary

To enable Cabinet to consider the two year financial plan relating to 2015/2016 and 2016/17.

Recommendation(s)

It is recommended that Cabinet: -

- 1) Note the updated Budget position for 2015/2016 and 2016/17;
- 2) Consider the means of bridging the identified outstanding Budget gap; and
- 3) That officers be authorised in particular to undertake the necessary actions relating to the saving associated with no incremental progression in 2016/17 and more generally any other relevant preparatory steps associated with these recommendations subject to Council approval; and
- 4) That Cabinet recommend to Council:
 - i) use of Section 106 money as outlined in paragraph 3.2 (a)
 - ii) an increase in cremation and burial fees by 5% over inflation
 - iii) to cease discretionary rate relief for sports clubs
 - iv) a further reduction in the CHAMPS budget as outlined in paragraph 3.2. (d)
 - v) the capitalisation of Highways, ICT and systems development currently funded by the revenue budget
 - vi) an adjustment to the Medium Term Financial Plan which only allows for incremental progression in 2015/16.
 - viii) to cease discretionary support to Parishes for the Council Tax Reduction Scheme.
 - ix) to agree the budget assumptions contained in paragraphs 2.2.(a) and 2.2.(b) and 3.2.(h)

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:

The recommendations in this report, provide the basis on which the Council's two year budget plan would be balanced for the period 2015-2017.

What will it cost and how will it be financed?

(A) Revenue Costs

The revenue gaps for each of the years 2015/16 to 2016/17 are projected at £32.487m and £22.340m respectively. The figures are individual in-year savings targets, assuming the previous years' targets are achieved

(B) Capital Costs

The two year financial plan includes the transfer of £1m revenue funded activity to be met from the Capital programme from 2015/16. If this option is approved this will be a first call against uncommitted capital programme resources from 2015/16.

Implications:

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

Legal

There are no direct legal implications arising from the contents of this report. However in the course of each of the individual projects, consultations, options etc. to achieve the savings required detailed consideration should be given to the legal, human rights and equality implications. Such consideration will also need to be evidenced to ensure that the Council's decision making processes are defensible. Recommendations in this report contribute towards a legally balanced budget.

Human Resources

The proposals contained within this report have a potential impact upon employees and the potential for both voluntary and compulsory redundancies. It will be necessary for the Authority to comply with the duty to consult with recognised Trade Unions and employees and to complete as necessary a notification under Section

188 of the Trade Union Labour Relations (Consolidation) Act 1992. Also form HR1 to the Department of Business Innovation and Skills notifying of redundancies has yet to be filed. Full and meaningful consultation should continue to take place with the Trade Unions and employees on the matters contained within this report.

Equality

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

Impact on Service Delivery:

Service implications for new budget options are outlined within this report and should be considered in conjunction with those described within the options and proposals approved by Council on 22 January 2015.

What consultations have taken place on the proposals and when?

The Overview and Scrutiny (Corporate Services and Performance) will consider this report at meeting of 24 February 2015. Regular and ongoing consultations also took place with Directors, employees and Trade Unions.

The Head of Finance and ICT is the author of this report (FD 3399/15) and the Head of Corporate Legal Services has been consulted and appropriate comments are incorporated (LD 2691/15)

Are there any other options available for consideration?

The Council has a legal obligation to set a balanced and robust budget and to set the Council Tax for 2015/2016 before 10 March 2015.

Implementation Date for the Decision

The Council will agree the two year financial plan for 2015/16 and 2016/17 and the budget for 2015/2016 at its meeting to be held on 5 March 2015.

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Background Papers:

None

1. Background

- 1.1 Cabinet will be aware that the Council faces a budget deficit of £55m over the next two years. Over recent months work has been ongoing to identify options which would eliminate this deficit. The process has involved an extensive risk assessment coupled with consideration of the alignment of services with the Council's priorities. The process was considered in detail at previous Cabinet meetings and at Council on 22nd January 2015.
- 1.2 This has been a challenging process; producing options that would eliminate the forecast deficit whilst attempting to minimise the impact on communities. However given the magnitude of saving it would be impossible to eliminate the impact and the risk. To date budget cuts of £39.2m have been approved by Council leaving a gap remaining of £15.5m. This report provides proposals which would eliminate the remaining gap and enable Council to consider a balanced two year budget plan for the period 2015 to 2017 at its meeting on 5th March 2015.

2. Latest Summary Two year Financial Plan 2015/16 and 2016/2017

- 2.1 The following table recaps the decisions approved at 22 January 2015 Council meeting.

			£m	£m
Budget Gap reported to December 2013 Cabinet				54.706
Funding Changes approved				-4.960
Green waste change approved			-0.430	
Adjustment for Funding Settlement			+0.121	
Updated Efficiency savings			-15.340	
Updated Options for consultation and preparation by Officers			-12.923	
New options for consideration			-5.696	
Net Total Options presented to date				-34.268
Future options to be determined				15.478

- 2.2 In addition to the options summarised above Cabinet in January 2015 also agreed that the following budget planning assumptions should be included in the plan.
- Management Arrangements - the Chief Executive will undertake a review of senior and middle management to reflect remaining Council responsibilities. At this stage a budget planning assumption of £1.3m is being made. This will be firmed up over the coming months as specific proposals are considered.
 - An ongoing review of major strategic transactional service contracts will identify the scope to renegotiate and achieve service changes and efficiencies. At this stage a budget planning assumption of £1m is being made. This will be firmed up over the coming months as specific proposals are considered.

2.3 Taking into account paragraphs 2.1 and 2.2 above, the financial gap remaining to balance the two year plan is £13.178m. Cabinet is asked to consider the approach below as a means of bridging this gap.

3. Bridging the Gap

3.1 As indicated above, Cabinet would need to identify and recommend to Council further budget proposals totalling £13.178m. At this stage it is proposed to recommend a combination of specific options, an indication of the likely Council Tax increase plus an assessment of further work on two major reviews which will be ongoing beyond March.

3.2 New Specific Options for Recommendation to Council

- a) The funding of new developments through Section 106 resources has been reviewed. In particular the use of Section 106 to support the revenue costs arising from these investments have been reviewed. Detailed analysis of legal agreements relating to recent years' projects has been undertaken to estimate the proportion of revenue costs which could be met from this source of external funding. The analysis indicates that in future years an estimated £0.500m of related ongoing maintenance can be funded through the use of Section 106 monies over the period of the two year financial plan. The capital spend associated with these projects has previously been authorised. It is the revenue spending that now requires authorisation. Any such funding has to be proportionate to the capital works authorised by the legal agreement in the first instance.
- b) The Fees and Charges review for burial and cremation has identified a further option to increase income by 5% over inflation and realise £0.300m income increased.
- c) The current approved discretionary rate relief for sports clubs is in its final year. The fourteen clubs supported with this discretionary relief include tennis, sailing, golf, rugby, football, cricket and boxing clubs from across the Borough. This relief has been assessed against the budget principles agreed by Cabinet in November 2014 and are not considered to focus on Council's core purpose. This reduction is estimated at £0.030m.
- d) Cabinet considered an option in November 2014 relating to the CHAMPS services which considered a range of reductions of public health activities and was estimated in November 2014 to be able to reduce expenditure by £0.057m. The Cabinet subsequently requested this option be amended. The amended option is estimated to save £0.028m and is achieved through reduced health protection work, campaigns, marketing and commissioning support.
- e) The relationship between the Council's Capital and Revenue budgets has been reconsidered and there are items which are currently met from revenue which it would be permissible to charge against the Council's capital resources. These include elements of highways maintenance, ICT investments and systems development. This provisioning of these items would allow an estimated £1m of revenue budget to be met from capital resources and reduce the call on revenue funding.

- f) All MTFP assumptions have been further reviewed. The Cabinet are requested to approve the inclusion in the budget the cost of payment of pay increments to staff in 2015/16 only, and that no provision is made for increments in the financial plan for 2016/17. Members will recall that similar decisions in previous years required further consultation with the trade unions and staff. There would be no incremental progression for any employees of the Council (with the exception of any employees who are employed on statutory contracts, i.e. teachers who are centrally employed). All NJC, JNC – HAY, Red Book, Youth Workers –JNC, Soulbury and any other similar terms and conditions which provide for incremental progression would therefore not have any form of incremental progression in 2016/2017. This measure would deliver a projected saving of £1.5m in 2016/17. This measure would not apply in schools whose Governing Body controls such matters.
- g) The Council has supported the parishes since the Government replaced Council Tax Benefit with a locally determined Council Tax Reduction Scheme. The funding which Sefton Council receives upon the cessation of Council Tax Benefit has been reduced annually in line with the overall Council reduction in Government funding. The number of claimants has reduced since 2013 and the resulting estimated level of support required in 2015/16 will reduce from £0.120m to £0.094m. The support to parishes is discretionary. The cessation of this discretionary support to parishes from April 2016 leads to an estimated saving of £0.120m based on the 2014/15 payments.
- h) An ongoing review of support for vulnerable children supported by Social Care will identify the scope to renegotiate and achieve service changes and efficiencies. At this stage a budget planning assumption of £0.700m is being made. The review covers the scrutiny of systems, payments and allowances combined with a targeted business model demonstrating systematic reductions in both the number of children entering the system and the types of placements offered This will be firmed up over the coming months as specific proposals are considered.
- i) In summary the options and budget planning assumptions included in this report are:

Ref	Item	£m	£m
	NEW OPTIONS contained within this report:		
92	Funding revenue consequences of planning approved projects from Section 106	0.500	
93	Increase Cremation and Burial Fees by 5% above inflation	0.300	
94	Cessation of discretionary rate relief for sports clubs (fourteen clubs across Sefton)	0.030	
52 - revised	Public Health efficiencies - health protection work, campaigns, marketing and commissioning support.	0.028	
95	Funding of highways, ICT and other developments from capital resources	1.000	
96	Staff pay - No incremental progression in 2016/17	1.500	
97	Remove the discretionary support to Parish	0.120	

	Councils for Council Tax Reduction Scheme		
	Total new/ amended Options contained within this report		3.478
	BUDGET PLANNING ASSUMPTIONS		
97	Review of services for looked after children	0.700	
98	Management Arrangements	1.300	
99	Contracted transactional services	1.000	
	TOTAL Budget Planning assumptions		3.000

4. Council Tax Income

- 4.1. The Medium Term Financial plan for 2015/16 and 2016/17 does not assume any increase in Council Tax for each of these years. Changes in the assumptions for the rate of Council Tax Collection and the Collection Fund surpluses have been considered and approved by Council on 22 January 2015.
- 4.2. Cabinet should note that every 1% increase generates around £1million. The Government announced its Council Tax referendum rules in December 2014 which indicates that the maximum increase before a referendum is required is 2%. If applied in both years this would generate £4.090m.
- 4.3. The Council on 5 March 2015 will have to consider three options relating to Council Tax for 2015/2016 as part of the Budget determination and also for 2016/17 as part of the two year financial plan:
- a) To freeze the Council Tax and be eligible for the Council Tax Freeze Grant. This will provide funding of **£1.02m** in 2015/2016 and is based on a 1% increase in Council Tax. The Government has indicated that this would be built into the base for future Government funding. No indications have been given regarding the continuing availability of Council Tax Freeze Grant for 2016/17. This option would reduce the Council Tax base for future years income generation.
 - b) To increase Council Tax by 1.99% in each of the two years, i.e. the maximum possible without requiring a referendum in May. This would provide resources of **£4.090m** and this would be built into the Council Tax base. (This is lower than twice the above because of the required adjustment for the Council Tax Reduction Scheme);
 - c) Propose an increase above 2% which would require a Referendum. Members would wish to consider that **each 1% increase** in Council Tax would generate an additional **£0.975m** (adjusted for CTRS) assuming current levels of collection and doubtful debt. The estimated cost of holding a referendum would be £200,000.

At this stage it is assumed that Council Tax will increase by 1.99% in each of the next two years. This assumption does not predetermine the decision on the actual level of Council Tax to be taken by Council.

4.4 Summary Position

Assuming the recommendations in this report are agreed the latest position is summarised below

	£m	£m
Budget gap Identified December 2013		54.706
Less Savings approved by Council January 2015		<u>-39.288</u>
Balance to be addressed		15.478
Less considerations in this report:		
Specific new options	3.478	
Budget planning assumptions	3.000	
Council Tax increase of 1.99% for next two years	<u>4.090</u>	<u>10.568</u>
Balance still remaining to be identified		<u>4.910</u>

As indicated above the specific proposals under consideration total £10.568m which still leaves a deficit of £4.910m to be identified. At this stage it is not proposed to identify specific options to contribute to this deficit. The Council will continue to plan for the delivery of significant savings from the reviews identified at paragraph 5 below and will monitor the MTFP position and assumptions following the General Election in May 2015. A formal review of the MTFP and budget position will take place in the Autumn 2015 during which further action will be taken to eliminate any remaining deficit. In the meantime it is proposed that the remaining deficit of £4.910m been held against the Councils Reserves and Balances.

5. **Other Reviews**

5.1 The Cabinet were informed in January 2015 that reviews are being undertaken relating to:

- a) A review of the services commissioned from the Voluntary Community and Faith Sector will identify the risk and impact of reductions in this area. No budget planning assumption will be made until specific proposals have been identified
- b) One of the significant challenges facing the Council going forward is balancing early intervention and prevention with acute services particularly in services to vulnerable children and their families. Work is ongoing to identify the impact of savings in these areas and a budget planning assumption will be identified prior to the budget being set.

5.2 These reviews are complex and the aggregate impact on communities and partners will not be known until the summer. It is anticipated that these reviews will identify significant savings. However at this stage, the Council meeting on 5

March 2015 is not recommended to identify a specific budget saving for inclusion the two year plan. It is considered important not to prejudge the outcomes of these reviews.

- 5.3 The Cabinet is also reminded that the use of one off resources should only occur in setting a robust financial plan when there is a clear short term requirement and that these are not used to avoid making budget savings. The reviews outlined in Paragraph 5.1 are expected to contribute to the budget gap but at this stage any quantified saving could predetermine the outputs of the reviews and lead to less effective outcomes and sustainable solutions.
- 5.4 The Council will be presented with the two year financial plan at 5 March 2015. The budgets will include the identification of the individual years' budgets and the estimated phasing of the financial implications of all the policy changes contained within the two year financial plan.

6. Conclusion

This report represents one of the final stages in the preparation of the two year budget plan. It builds on the already approved budget cuts and provides an approach to balancing the forecast budget gap of £55m. This approach leaves a £5m gap for which no specific options have been provided and which will be covered by reserves and balances if required.

The Council at its meeting on March 5th will consider for approval the final budget plan and Council Tax increase. Subject to this approval detailed implementation plans will be prepared for the major savings areas and progress towards delivering the savings will be closely monitored and managed.

Whilst the setting of any budget is an important milestone for the Council, there remains a significant degree of uncertainty around the future funding for local government. Initial policy statements from all major political parties indicate a requirement for ongoing austerity measures and reduction in local government spending. Following the General Election in May the position should become clearer. It will therefore be necessary for the Council to keep the Budget Plan under review and if appropriate amend it in the light of changes to local and national policy and the financial outlook.