

**Report to:** Cabinet

**Date of Meeting:** 3 September 2015

**Subject:** Revenue Budget 2015/16 Update

**Report of:** Chief Finance Officer

**Wards Affected:** All

**Is this a Key Decision?** No

**Is it included in the Forward Plan?** Yes

**Exempt/Confidential** No

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### **Purpose/Summary**

To inform Cabinet of: -

- i) Progress in the achievement of the approved savings for 2015/16 (and any residual savings carried forward from 2014/15);
- ii) To highlight other financial and staffing capacity risks elsewhere within the budget, and to request the provision of additional financial resources;
- iii) To request the addition of a number of Section 106 schemes into the Capital Programme; and
- iv) The forecast on Council Tax and Business Rates collection.

### **Recommendation(s)**

Cabinet is recommended to:-

- i) Note the progress to date on the achievement of approved savings for 2015/16 and residual savings carried forward from previous years;
- ii) Note the wider financial pressures being experienced in the remainder of the Budget; and
- iii) Approve additional staffing and budget resources for social care purposes as set out in paragraph 4.3;
- iv) Approve the creation of a Cabinet Support Officer as outlined in paragraph 4.4 and to approve the use of the 2014/15 surplus to meet the 2015/16 costs;
- v) Include additional Section 106 projects, outlined in paragraph 4.5, to the Capital Programme; and
- vi) Note the forecast position on the collection of Council Tax and Business Rates;

### **How does the decision contribute to the Council's Corporate Objectives?**

	<b><u>Corporate Objective</u></b>	<b>Positive Impact</b>	<b>Neutral Impact</b>	<b>Negative Impact</b>
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:**

To ensure Cabinet are informed of the latest position on the achievement of savings for the current financial year and to identify wider budget pressures being experienced elsewhere in the budget. To provide an update on the forecast the outturn position on the collection of Council Tax and Business Rates. To highlight service staffing pressures and to seek additional resources to meet that demand. To include additional schemes financed from Section 106 monies into the Capital Programme.

**What will it cost and how will it be financed?**

**(A) Revenue Costs**

**i) 2015/16 Revenue Budget**

Any under-achievement of the agreed revenue budget savings for 2015/16 (and residual savings from previous years) will need to be financed from within any under-spending identified within other areas of the 2015/16 budget, or from the Council's general balances. Any usage of balances will reduce the amount available to support the phased introduction of savings in future years.

The current financial position on approved savings indicates that about £3.228m are at significant risk of not being achieved (the "Red" marked items in Annex A). Should other budget savings not be identified at the year end, then an equivalent level of general balances would be required to support the budget.

As at the end of July, a number of other budget pressures in the remainder of the Council's Budget are identified in the report. In previous years, underspends have tended to materialise toward the end of the financial year as departments restrain spending in order to remain within budget. The budget forecast will be closely monitored throughout the remainder of the year.

Significant staffing pressures are being experienced with regard to Looked-After Children. Additional resources are required for both social work and legal posts. The costs for 2015/16 are to be met from additional income received from inter-agency adoption fees, with the ongoing impact being considered as part of the consideration of the Government's Autumn Budget for 2016/17.

The report also considers additional capital schemes to be financed from Section 106 monies, and asks that they be added to the 2015/16 Capital Programme.

**(B) Capital Costs**

**Implications:** None

**Legal:**

**Human Resources** None

**Equality**

Equality Implication

Equality Implications identified and mitigated

Equality Implication identified and risk remains

**Impact on Service Delivery:**

None.

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

The Chief Finance Officer is the author of the report (FD 3737/15)

The Head of Regulation and Compliance has been consulted and any comments have been incorporated into the report. (LD 3020/15)

**Are there any other options available for consideration?**

None.

**Implementation Date for the Decision**

Immediately following the call-in period following the publication of the Cabinet Minutes

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**Background Papers:** None

## 1. **Introduction**

- 1.1 The Council approved a two year financial plan for 2015/16 to 2016/17 which requires a large change programme of £55m to be implemented over these two years. This follows on from significant savings target in the previous three years. It should be noted that only £50m of the £55m target has so far been identified. Council on 5 March agreed that the remaining £5m would be matched against balances, pending identification of further saving options.
- 1.2 This report presents the latest position on the achievement of agreed savings for 2015/16 (£20.162m), plus the ongoing savings requirements carried forward from previous years. It is important that the Council continues to remain within budget and also has a sound financial base for the future financial challenges that are expected beyond 2016/17.
- 1.3 The current financial position on the remainder of the Council's budget is also highlighted in the report.
- 1.4 The report also outlines the current position regarding other key income streams for the Authority, Council Tax and Business Rates, as variations against expected receipts will affect the Council's financial position.

## 2. **Approved savings for 2015/16 (and previous years carry forward savings)**

- 2.1 The table at **Annex A** identifies the current position of the agreed savings for 2015/16. They are analysed into four categories: -
  - Savings achieved to date (Blue);
  - Progress is satisfactory (Green);
  - Outcome is unknown and is at risk of not being fully achieved (Amber); and
  - Known shortfalls, or significant risk of not being achieved (Red).

This approach is designed to ensure complete transparency, effective risk management and improved consultation and engagement.

It should be noted that individual savings may be categorised into more than one area; for example, part of the work to achieve a required saving may be on track (and a value can be shown in Green), whilst another element is potentially at risk (and therefore shown as Amber).

- 2.2 The position as at the end of July 2015 for the achievement of savings for is that £24.720m of the total required savings in 2015/16 £30.358m (for the current year and carry-forward items) have been delivered or are on plan; with £2.428m are at some risk of not being fully achieved. This leave a further £3.210m of savings that are unlikely to be achieved in 2015/16 (identified as "Red"). At the present time, it is still anticipated that the savings will be achieved in 2016/17.
- 2.3 All budget savings will continue to be closely monitored, with regular reports being presented to Cabinet and Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services). Officers will continue to be mindful of the ongoing financial position and take appropriate action where further efficiencies can be found which do not require a change of policy.

### **3. Other Potential Budget Variations**

3.1 In addition to the potential budget shortfall on the above specific saving areas, there are a number of other financial risks / potential areas of underspending that have been identified elsewhere in the Budget. The main areas of variation to the general budget are noted below: -

3.1.1 The service pressures experienced by Specialist Transport (STU) in 2014/15 are continuing; the latest forecast is that the additional expenditure above budget will total £2.2m. A review of transport policies is underway but any changes are limited and will be subject to consultation and discussion with Members over the coming year.

3.1.2 The Children Social Care budget is showing a forecast demand exceeding approved budget of £2.7m. This is mostly due to increasing numbers of children in care and the cost of packages and special guardianships orders. It is anticipated that the work in creating the new Community Adolescents Service using £1.1m DfE Innovation Grant may help alleviate some cost pressures concerning the care of young people aged 13 upwards via new ways of working. However, at the present time the value of any in-year saving is still being evaluated.

3.1.3 The Schools and Families related services are continuing to report a surplus and at this point it is estimated at £0.5m

3.1.4 The Admin Buildings budget is forecast to overspend by £0.7m. This is due to additional costs for Magdalen and Merton House (following rent reviews), additional maintenance costs on properties earmarked for redevelopment / sale and reduced income from Council rental properties.

3.1.5 The Adult Social Care budget is showing surplus of £0.2m on staff vacancies and following the Procurement of Homeless and Housing Related Support Services from July 2015 a part year saving of £0.1m will be generated in anticipation of the 2016/17 saving requirement for Housing Related Support. The resources for care packages will be carefully monitored.

3.1.6 In previous years, service department surpluses have tended to materialise toward the end of the financial year as departments restrain spending in order to remain within budget. The budget will be closely monitored over the remainder of the financial year and further action will be taken if the financial position does not improve.

### **4. Other Budget Issues**

#### **4.1 ILF Grant**

The Government has previously been responsible for providing financial support to clients as part of the Independent Living Fund (ILF). However, with effect from 1 July 2015, responsibility has been transferred to local authorities. Grant distribution for 2015/16 has recently been announced, with Sefton receiving an allocation of £1,832, 183. Based on existing ILF client information that the Council is aware of, there appears to be sufficient resource to cover costs for 2015/16. There was an expectation

that a 5% attrition rate would be factored into the allocation but this doesn't appear to be the case based on the current information. However, future years ILF funding will be announced as part of overall spending review. It is disappointing that insufficient resources have been allocated. Consequently, there will be a risk that future allocations may not be sufficient to meet demand.

#### 4.2 Public Health Grant – Reduction

The Department of Health has announced proposed in year cuts in Public Health grant – £200m across England. The currently proposed methodology is an equal percentage reduction across all local authorities and would equate to a loss of grant for Sefton of £1.374m. Whilst this is still subject to consultation, and the methodology may change, the impact is likely to be significant. Further information will be presented as it becomes available. However, in the meantime officers will need to consider how this reduction can be accommodated. There is no further information as to what the reduction in grant is likely to be from 2016/17 onwards. The Council at its meeting of 16 July 2015 passed a motion condemning this approach. Unfortunately the Government is committed to reducing spending in year

#### 4.3 Staffing capacity – Looked After Children

The pressure of staffing capacity to respond to the Support for Looked After Children has grown throughout 2014/15 and into 2015/16. The re-design of social care services in 2013 created the conditions for further whole system change; reduced caseloads, improved decision making and performance and morale. In order to maintain this progress and ensure a safe service additional staffing resources are needed to match the growth in looked after children and referrals. An increase in child protection and case proceedings also places unsustainable resource demand on the Council's legal services capacity. The number of children's cases open in the assessment service has risen from 395 in May 2014 to 497 in May 2015; at the same time the locality service are now supporting 556 open cases compared to 468 in May 2014.

The Family Court and recent case law in respect of threshold for removal continues to impact on the numbers of case orders at home and the 26 week timescale for proceedings places increased pressure on the Social Care and Legal teams to meet tight timescales for assessments, statements, plans and proceedings.

Cabinet is requested to approve the use of additional inter-agency adoption fee income to meet the cost in 2015/16 of the part year effect of the recruitment of nine additional social work posts and two legal posts. The part year effect, assuming appointments are made during the Autumn, is estimated at £135,000. The resourcing for 2016/17 will be considered as part of the Autumn budget review which will bring together a wide range of financial considerations including any changes in Government funding, in order to set the 2016/17 Council Tax. The cost in 2015/16 will be met from anticipated increased income generated through inter-agency adoption fees of £200,000.

#### 4.4 Cabinet Support

It is acknowledged that the level of staffing resource supporting the Leader and Cabinet Members needs to be reviewed given that the level of resource has remained constant for many years. One FTE political group secretary provides secretarial support to all Labour Councillors (and a similar level of resource exists across the other political group offices), although the number of Members supported by this level of resource has increased by 46% over the last 3 years. In addition, the number of Cabinet Members within this cohort has increased from 40% to 100%. This additional resource will provide specific support to the Leader of the Council and the Cabinet.

It is recommended that a Cabinet Support post be established to provide additional support to the Leader of the Council and Cabinet Members and that the cost in 2015/16 be met from the surplus reported for 2014/15.

#### 4.5 Additions to the Capital Programme

The Planning Committee and Ward Councillors have agreed the following use of Section 106 monies. Cabinet is recommended to add these fully funded projects to the Capital Programme.

#### **Litherland & Ford Ward Areas**

The table below lists the current available commuted sums for Trees and Greenspace in the Litherland and Ford ward areas.

<b>Planning ref</b>	<b>SITE ADDRESS</b>	<b>£'s TREES</b>	<b>Area of Spend agreed - trees</b>	<b>£'s GREENSPACE</b>	<b>Area of Spend agreed – Greenspace</b>
S/2007/05 20  FORD	74 Litherland Park, Litherland			£6,989.62	Hatton Hill Park, prioritising the bowling green.
S/2007/10 50  S/2009/06 66  S/2008/01 34	13 Linacre Lane, Bootle Captains Green Bootle  Former Lanstar Site, Hawthorne Road, Bootle		Tree Planting where identified £20,000 Living Christmas Tree Linacre Hub £5,000 Shrubs/Planting £15,644		
S/2008/08 21  S/2009/11 03  S/2010/17 07  LITHERL AND GREEN SPACE	18-32 Linacre Road, Litherland Former Tannery Site, Hawthorne Road, Bootle Penpoll Trading Estate, Hawthorne Road, Bootle				Linacre Hub - £46,000, an emphasis on creating a community green space, a community garden and working in partnership with Y Kids and Food Banks around growing vegetables and fruit trees  Hapsford Park – £20,000, an emphasis on making the park safe and more attractive, repairing paths etc.
S/2009/06 66  LITHERL AND GREEN SPACE	Captains Green, Bootle			£24,171.00	Greenspace Captains Green

## Molyneux Ward

The table below lists the current available commuted sums for Trees and Greenspace in the Molyneux ward area.

Planning ref	SITE ADDRESS	£'s Trees	Area of Spend agreed - trees	£'s Greenspace	Area of Spend agreed - Greenspace
S/2012/0312	191-193 Altway, Aintree	£1,443.53	Altway	n/a	n/a
S/2011/0383	Marks & Spencers, Racecourse Retail Park	£457.43	Ormskirk Rd	n/a	n/a
S/2012/0904	Unit 6 Racecourse Retail Park	£29,351.68	1.Ormskirk Rd (primary focus between Altway and Oundel Drive. 2.Haileybury Ave grass verges. 3.Keble Rd, Bradfield Ave, Radley Drive, Oriel Rd, Aintree Lane, Sedbergh Ave, Spencers Lane 4.Community Orchard Fruit Planting		

## Netherton and Orrell Ward

The table below lists the current available commuted sums for Trees and Greenspace in the Netherton and Orrell Ward

Planning ref	SITE ADDRESS	£'s Trees	Area of Spend agreed - trees	£'s Greenspace	Area of Spend agreed - Greenspace
S/2011/0561	Former Build Center, Heysham Rd	n/a	n/a	£3,103.65	Giro Park
S/2007/0688	Atlantic Park, Dunnings Bridge Rd	n/a	n/a	£3,295.55	Giro Park
S/2010/0431	Former Peerless Site, Dunnings Bridge Rd	£27,017.52	Oswalds Lane, Park Lane West, Park Lane, Deerbarn Drive, Orchard Hey, Gardner Ave, Copy Lane, Netherton Grange, Elton Ave, Ashborne Ave and Barnfield Close	£23,657.14	Giro Park, Abbeyfield Park.
S/2007/0500	14 Moss Lane	n/a	n/a	£7,759.12	Giro Park



## Church Ward

The table below lists the current available commuted sums for Trees and Greenspace in the Church ward area.

Planning ref	SITE ADDRESS	£'s Trees	Area of Spend agreed - trees	£'s Greenspace	Area of Spend agreed - Greenspace
S/2012/0413	Merlin Animal Foodstore, Peel Port,	n/a	n/a	£50,477.04 £48,470.00	Potters Barn (TO CONTINUE ASAP)  Entrance to Rimrose Valley, at the end of Glenwyllin Rd

## 5. Council Tax Income – Update

5.1 Council Tax income is shared between the billing authority (Sefton Council) and the two major precepting authorities (the Fire and Rescue Authority, and the Police and Crime Commissioner) pro-rata to their demand on the Collection Fund. The Council's Budget included a Council Tax Requirement of £104.087m for 2015/16 (including Parish Precepts), which represents 85.2% of the net Council Tax income of £122.191m. The forecast position for total Council Tax income, as at the end of July 2015 is shown below:

2015/16	Budget £'000	Forecast £'000	Surplus(-) £'000
<b>Total Council Tax Income</b>	<b>-122,191</b>	<b>-125,631</b>	<b>-3,440</b>

5.2 The forecast shows a surplus on Council Tax income largely because the level of Council Tax Reduction Scheme (CTRS) discounts claimed to date is lower than originally estimated. The MTFP assumed a gross surplus of £600k in 2015/16 (Sefton's share was £511k).

5.3 Due to the Collection Fund regulations, the Council Tax surplus will not be transferred to the General Fund in 2015/16 but will be carried forward to be distributed in future years.

5.4 In January 2015 the Council declared a surplus of £5.325m for 2014/15 as part of the budget setting process. This is the amount that will be distributed in 2015/16. At the end of March 2015 the actual council tax surplus on the Collection Fund was £0.823m higher than January estimate (subject to audit). This variation will be carried forward to be distributed in 2016/17.

5.5 The total forecast surplus to be distributed in 2016/17 is shown in the table below:

Share of Council Tax Surplus (-) / Deficit to be distributed in 2016/17	%	2014/15 Carried Forward £'000	2015/16 Forecast (31/07/15) £'000	Total £'000
Sefton Council	85.2	-701	-2,930	-3,631
Police & Crime Commissioner	10.2	-84	-353	-437

Fire & Rescue Authority	4.6	-38	-157	-195
<b>Total</b>	100	-823	-3,440	-4,263

## 6. Council Tax Reduction Scheme – Update

- 6.1 Local Council Tax Reduction Scheme (CTRS) discounts replaced Council Tax Benefit in April 2013. The CTRS placed a significant new burden on local authorities meaning that the monitoring of Council Tax income is even more important than before. The following paragraphs provide an update of the position for Sefton as at the end of July 2015.
- 6.2 Overall the net CTRS is forecasting a favourable outturn position of £2.1m. This forms part of the council tax surplus forecast in paragraph 5.1. Members are requested to treat this with caution as the position relating to the new claims is frequently changing and is sensitive to local economic demands on families and householders who are also affected by Welfare Reform changes.
- 6.3 Details of CTRS claimants numbers and council tax collection against CTRS cases are shown below: -

<b>Number of CTRS Claimants</b>	<b>01/08/14</b>	<b>01/04/15</b>	<b>01/08/15</b>
Working Age - Employed	2,838	2,748	2,700
Working Age - Other	12,877	12,601	12,440
<b>Working Age - Total</b>	<b>15,715</b>	<b>15,349</b>	<b>15,140</b>
Pensioners	14,448	13,925	13,677
<b>Total</b>	<b>30,163</b>	<b>29,274</b>	<b>28,817</b>

<b>Council Tax Collection CTRS Claimants 2015/16 (Data at 06/08/15)</b>	<b>Liability Raised</b>	<b>Income Received</b>	
	£000	£000	%
Working Age - Employed	1,346	365	27.2
Working Age - Other	2,508	762	30.4
<b>Working Age - Total</b>	<b>3,854</b>	<b>1,127</b>	<b>29.3</b>
Pensioners	1,885	863	45.8
<b>Total</b>	<b>5,739</b>	<b>1,990</b>	<b>34.7</b>

<b>Council Tax Collection CTRS Claimants 2014/15 (Data at 06/08/15)</b>	<b>Liability Raised</b>	<b>Income Received</b>	
	£000	£000	%
Working Age - Employed	1,417	1,122	79.2
Working Age - Other	2,663	1,981	74.4
<b>Working Age - Total</b>	<b>4,080</b>	<b>3,103</b>	<b>76.1</b>
Pensioners	2,005	1,996	99.6
<b>Total</b>	<b>6,085</b>	<b>5,099</b>	<b>83.8</b>

## 7. Business Rates Income – Update

- 7.1 The Business Rates Retention Scheme introduced on 1 April 2013 allows local authorities to retain 49% of their Business Rates income. This change made Business Rates income a key financial risk for the Council for 2013/2014 onward.

- 7.2 Business Rates income has historically been very volatile as it is subject to revaluation appeals and changes in the level of economic activity. The level of income is also subject to changes in the level of mandatory reliefs such as Small Business Rate Relief, Empty Property Relief and Charity Relief. This makes it very difficult to forecast Business Rates income accurately.
- 7.3 The forecast position for Business Rates income and related Section 31 Grants, as at the end of July 2015 is shown in the table below:

<b>Business Rates 2015/16</b>	<b>Budget £'000</b>	<b>Forecast £'000</b>	<b>Variation £'000</b>
Business Rate Yield (Net)	-65,580	-65,732	-151
Section 31 Grants – Rate Reliefs etc	-2,623	-2,818	-195

- 7.4 The forecast identifies a surplus compared to the budget position. The main reason for the variation in business rate yield is that gross rate changes have increased compared to a forecast reduction. The main reason for the variation in Section 31 Grant is that the Autumn Statement Reliefs (retail relief, new empty homes property relief and reoccupation relief) are higher than forecast. The variation in Section 31 Grants will need to be taken into account in 2015/16.
- 7.5 In January 2015 the Council declared an estimated surplus of £4,165k for 2014/15 as part of the budget setting process. This is the amount that will be distributed in 2015/16. At the end of March 2015, the actual business rates surplus on the Collection Fund was £1.575m higher than January estimate (subject to audit). Government rules require that this variation will be carried forward to be distributed in 2016/17, rather than just amending the 2015/16 distribution.
- 7.6 As part of the 2012/2013 accounts closure process an exercise was undertaken to estimate the size of provision required at 1 April 2013 to meet the cost of refunds to ratepayers as a result of successful appeals against the rateable value of their business premises. The provision required was estimated at £3.308m. The DCLG made regulations in January 2014 allowing local authorities to spread the cost of this provision over five years. Sefton chose to adopt this approach so we can credit £0.662m (20%) against any surplus (-) or deficit to be distributed in 2016/17.
- 7.7 The total forecast surplus to be distributed in 2016/17 is shown in the table below:

<b>Share of Business Rates Surplus (-) / Deficit</b>	<b>%</b>	<b>Balance 31/03/16 £'000</b>	<b>Appeals Provision Spreading £'000</b>	<b>Total £'000</b>
Central Government	50	-863	-331	-1,194
Sefton Council	49	-846	-324	-1,170
Fire & Rescue Authority	1	-17	-7	-24
<b>Total</b>	<b>100</b>	<b>-1,726</b>	<b>-662</b>	<b>-2,388</b>

## **8. Council Tax / Business Rates Income – Summary**

- 8.1 All income from Council Tax / Business Rates is collected in an account called the Collection Fund. The total sum is split between the Council, the Fire and Rescue Authority, the Police & Crime Commissioner (Council Tax only) and the Government (Business Rates only). The forecast position as at the end of January shows additional income of £3.631m from Council Tax and additional income of £1.170m from Business Rates.
- 8.2 The forecast surplus on both Council Tax and Business Rates needs to be set against the forecast increase in Section 31 Grant for business rates reliefs and amounts included in the Medium Term Financial Plan for Council Tax Surplus and Appeals Spreading.
- 8.3 The forecast impact on the budget / MTFP is shown in the following table:

	2015/16 £'000	2016/17 £'000	2017/18 £'000
<u>Collection Fund Transfers</u>			
Forecast Council Tax Surplus		-3,631	
Forecast Business Rates Surplus		-1,170	324
<u>General Fund Grants</u>			
Section 31 Grant - Business Rate Reliefs	-195		
Section 31 Grant - Council Tax Annex's	-1		
<u>Remove MTFP Assumptions</u>			
Council Tax Surplus in MTFP		511	
NNDR Appeals Spreading in MTFP		-324	-324
<b>Total</b>	<b>-196</b>	<b>-4,614</b>	<b>0</b>

- 8.4 Members are requested to treat the figures with caution as the level of income from Council Tax and Business Rates can be highly volatile and the forecasts could change significantly during the year.