
Report to:	Cabinet	Date of Meeting:	5 November 2015
Subject:	Revenue Budget 2015/16 Update	Wards Affected:	(All Wards);
Report of:	Head of Corporate Support		
Is this a Key Decision?	Yes	Is it included in the Forward Plan?	Yes
Exempt/Confidential	No		

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 risks elsewhere in the budget;
- iii) The forecast on Council Tax and Business Rates collection;
- iv) An update on the Government announcement of future years finance settlements; and
- v) The Council's potential financial impact (and proposed response to the Department of Health) on the "Public Health grant allocation formula for 2016/17".

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;
- iii) Note the forecast position on the collection of Council Tax and Business Rates; and
- iv) Note the update on future years finance settlements as outlined in paragraph 7; and
- v) Approve the proposed response to the Department of Health regarding the Council's significant concerns with the "Public Health grant allocation for 2015/16 and 2016/17", as set out in paragraph 8 and delegate approval to agree the final response to the Cabinet Member Health & Wellbeing.

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

	<u>Corporate Objective</u>	Positive Impact	Neutral Impact	Negative Impact
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 outturn position on the collection of Council Tax and Business Rates. An update on the announcement of future years Government finance settlements and the implications for the Budget timetable is also considered in the report.

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 surpluses 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 £2.884m (down from £3.228m reported previously) 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 August, a number of other budget pressures in the remainder of the Council’s Budget are identified in the report. In previous years, surpluses 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.

(B) Capital Costs

None

Implications:

Legal:

Human Resources None

Equality

No 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 3840/15)

The Head of Regulation and Compliance has been consulted and any comments have been incorporated into the report. (LD 3123/15)

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

Contact Officer: Margaret Rawding

Tel: 0151 934 4082

Email: Margaret.rawding@sefton.gov.uk

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.
- 1.5 An update on the timing of the Government financial settlement including the implications for the Budget timetable.

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 August 2015 for the achievement of savings is that £24.096m of the total required savings in 2015/16 £29.159m (for the current year and carry-forward items) have been delivered or are on plan; with £2.179m are at some risk of not being fully achieved. This leave a further £2.884m 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 surplus 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 care 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.
- 3.1.3 The Schools and Families related services are continuing to report a surplus and at this point it is estimated at £0.4m. This mainly relates to staff vacancies and Attendance and Welfare fine income from non-attendance at schools due to term-time holidays.
- 3.1.4 The Admin Buildings and Other Properties budgets are forecasting a deficit, although the level is expected to be less than the £0.7m experienced in 2014/15. The additional costs arising from rent reviews at Merton House and Magdalen House, for which the Council has an unavoidable contractual commitment under the terms of the respective lease agreements, means that budgetary pressures will continue. In addition, reduced rental income from Council properties where tenants have vacated premises makes the achievement of income targets difficult. Accommodation issues, particularly the review of future requirements, is a high priority for the Council and a strategy to consolidate staff and functions in a core holding of retained freehold sites across the Borough is designed to reduce costs in the medium term.
- 3.1.5 The Adult Social Care budget is showing a surplus of £0.4m on staff vacancies and £0.6m for Housing Related Support (in anticipation of the £0.9m 2016/17 saving requirement). 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. Council Tax Income – Update

4.1 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.

4.2 The forecast outturn at the end of September 2015 is a surplus of -£4.971m on Council Tax income. This is an increase of -£0.708m compared to the surplus previously reported (-£4.263m) for the end of July 2015. The increase in surplus is due banding list changes (+£0.208m), exemptions and discounts (-£0.336m), council tax reduction scheme (-£0.171m) and a review of the bad debt provision (-£0.409m).

4.3 The surplus will be distributed between the Council and major preceptors as follows:

Council Tax Surplus (-) to be distributed	%	£'000
Sefton Council	85.2	-4,234
Police & Crime Commissioner	10.2	-509
Fire & Rescue Authority	4.6	-228
Total	100	-4,971

4.4 Due to 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. The MTFP assumed a surplus of £511k would be transferred to the General Fund in 2016/17. The following table shows the forecast budget position based on the information provided above:

Impact on Budget / MTFP	2016/17 £'000
Council Tax Surplus - Forecast	-4,234
Less Council Tax Surplus - MTFP	511
Variation	-3,723

5. Council Tax Reduction Scheme – Update

- 5.1 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 September 2015.
- 5.2 Overall the net CTRS is forecasting a favourable outturn position of -£2.286m. This forms part of the Council Tax surplus forecast in paragraph 5.2. This is an increase of -£0.171m compared to the surplus previously reported (-£2.115m) for the end of July 2015. The increase in surplus is due a reduction in the number of claims for council tax support from 28,817 on 1 August 2015 to 28,585 on 1 October 2015.
- 5.3 CTRS Claimant numbers have reduced since April 2013 and income collection in CTRS cases has been better than initially forecast. Details of CTRS claimant numbers and council tax collection against CTRS cases are shown below: -

Number of CTRS Claimants	03/04/14	01/04/15	01/10/15
Working Age - Employed	2,900	2,748	2,653
Working Age - Other	13,125	12,601	12,337
Working Age - Total	16,025	15,349	14,990
Pensioners	14,655	13,925	13,595
Total	30,680	29,274	28,585

Council Tax Collection CTRS Claimants 2015/16 to date (Data at 02/10/15)	Liability Raised £000	Income Received	
		£000	%
Working Age - Employed	1,339	510	38.1
Working Age - Other	2,500	1,002	41.7
Working Age - Total	3,839	1,552	40.4
Pensioners	1,881	1,189	63.2
Total	5,720	2,741	47.9

Council Tax Collection CTRS Claimants 2014/15 (Data at 02/10/15)	Liability Raised £000	Income Received	
		£000	%
Working Age - Employed	1,417	1,142	80.5
Working Age - Other	2,660	2,039	76.7
Working Age - Total	4,077	3,181	78.0
Pensioners	2,005	1,999	99.7
Total	6,082	5,180	85.2

6. Business Rates Income – Update

- 6.1 Since 1 April 2013, Business Rates income has been shared between the Government (50%), the Council (49%) and the Fire and Rescue Authority (1%). The Council's Budget included retained Business Rates income of £32.134m for 2015/16, which represents 49% of the net Business Rates income of £65.580m. Business Rates income has historically been very volatile making it difficult to forecast accurately.
- 6.2 The forecast outturn at the end of September 2015 is a surplus of -£2.933m on Business Rates income. This is an increase of -£0.545m compared to the surplus previously reported (-£2.388m) for the end of July 2015. The variation is due an increase in gross charges (-£0.280m), small business rate relief (+£0.038m) mandatory rate reliefs (-£0.331m), discretionary rate reliefs (+£0.012m) and other rate reliefs supported by Section 31 grants (+£0.016m).
- 6.3 The forecast surplus will be distributed between the Government, the Council and the Fire and Rescue Authority as follows:

Business Rates Surplus (-) to be distributed	%	£'000
Central Government	50	-1,466
Sefton Council	49	-1,437
Fire & Rescue Authority	1	-30
Total	100	-2,933

- 6.4 Due to Collection Fund regulations, the Business Rates surplus will not be transferred to the General Fund in 2015/16 but will be carried forward to be distributed in future years. The MTFP assumed a deficit of £324k would be transferred to the General Fund in both 2016/17 and 2017/18. The following table shows the forecast budget position including the Section 31 grants due in respect of small business rates doubling, retail relief, new empty property relief, and reoccupation relief:

Impact on Budget / MTFP	2015/16 £'000	2016/17 £'000
Forecast Business Rates Surplus (-) / Deficit		-1,437
Less Deficit Forecast in MTFP		-324
Section 31 Grant - Business Rate Reliefs	-229	
Total	-229	-1,761

- 6.5 Members should be aware that changes to the rating list as a result of appeals and the number and value of appeals at the year-end could have a significant influence on the final outturn position.

7. Future Years Financial Settlements / Budget

- 7.1 Members will be aware that the Government has indicated that the Chancellor will present the Comprehensive Spending Review to Parliament on 25 November. These budget decisions will inform the Department for Communities and Local Government in order to issue the local government financial settlement; this is likely to be late December. Early indications are that: -
- i) The removal of all Revenue Support Grant is likely by 2020; this was anticipated in the Council's Medium Term Financial Plan;
 - ii) Significant reductions in Public Health Grant; early estimates indicate a possible loss between £5m and £7m in 2016/17;
 - iii) Changes in the Business Rating system, the details of which have not yet been issued, are unlikely to be significant in addressing the Council's loss in Government grant within the timeframe of the MTFP.
- 7.2 The Council is likely to receive the 2016/17 and any provisional future years settlement figures in late December. This will be too late for the December Cabinet and may also be too late for a pre-Christmas mailing of the January Cabinet. Members are asked to note that officers will provide a briefing as soon as future notifications become available.
- 7.3 The lateness of notification will require Cabinet and Council to consider the 2016/17 budget at its meetings in January and February, instead of December as was original planned.
- 7.4 With regard to the budget itself, the Council has experienced budget pressures in a number of areas in previous years, some of which are continuing into the current financial year (as identified in this report). As part of the budget review for 2016/17, such pressures (and any other emerging strains on Council finances) will need to be considered along with the existing budget gap of £4.940m (as agreed at the Council Budget meeting of 5 March 2015), in order to produce a balanced budget.

8. Public Health grant allocation formula for 2016/17 and potential impact for 2015/16

8.1 In July 2015, the Government consulted on the impact of a proposal to make £200 million of cuts to the public health grant in **2015/16**. The outcome of this consultation is yet to be announced. The potential in-year reduction to the Council's grant being c£1.4m (on the current grant allocation of £22.168m i.e. in excess of 6%). A motion was submitted to Council by Councillor Moncur on 16th July 2015. It was resolved that there was 'Opposition Against Public Health Ring-fenced Funding Reduction' and that the Council calls upon the Government to:

- (1) Re-consider its short-sighted and irrational approach to the proposed cut in public health funding; and
- (2) Honour its previous commitments, as set out in the local government finance settlement in March 2015.

- 8.2 In October 2015 the Council received a further consultation document from the Department of Health on 'Public Health Grant: Proposed Target Allocation Formula for **2016/17**' with a closure date of 6th November 2015. The document did **not** provide indicative figures for the potential impact of proposals. However, based on internal forecasts using available data, the change could **potentially lead to a Public Health Grant reduction of c£5.3m to the Council in 2016/17** (i.e. approximately a 24% reduction on the current 2015/16 grant allocation). The forecast indicates that in percentage terms **Sefton would be the 13th highest loser out of 152 Authorities** if the proposed formula was actually implemented.
- 8.3 Cabinet is requested to approve the following response which emphasises its opposition to the proposed reduction in Public Health grant for 2016/17 and future years.

The Council has previously expressed its concern to the Government regarding the proposed reduction of in-year Public Health grant funding for 2015/16 and the resultant implications that this will have for many of its residents. To have a further and much increased ongoing reduction in resources (estimated at £5.3m per annum) is inevitably going to result in health and wellbeing implications for the residents of Sefton. Reductions in prevention spending on an ongoing basis is only likely to aggravate the problem of people becoming ill and will inevitably lead to greater financial pressures in healthcare spending in future years. How will the Government be able to finance this in future years?

The Authority is already expecting to be faced with budget reductions (across the whole of the Council) in the order of £55m - £60m for 2016/17 to 2018/19. With savings of this magnitude, there are likely to be severe implications across all services. Consequently, there is unlikely to be any spare resource which the Authority can use to help bridge this Public Health funding gap, It may even impact further on the reduced Public Health spending i.e. exacerbating the underfunding position.

This policy is irrational and the Council calls upon the Government to think again.

With regard to specific questions asked in the consultation document, Sefton's response is set out below:-

- 1) Using a modelled rather than the actual standardised mortality ratio has a number of benefits, particularly that it can continue to identify underlying drivers of poor health in a local authority that has been successful in meeting those challenges. This appears a positive proposal, though the detail is not available yet.
- 2) Increasing the number of area groupings used for the standardised mortality ratio based component. On average, LAs with the most deprived populations benefit from this change. This factor decreases Sefton's share per 100,000 resident population by 0.2% percentage points, so appears negative.
- 3) A new formula component for substance misuse services. The existing model for drugs misuse uses a combination of recent provision and recent success

rates, in line with the approach used in the past for Pooled Treatment Budgets (PTBs). This formulation can be subject to perverse incentives, such as the incentive to treat more people rather than to invest in prevention. ACRA is therefore proposing a new formula, for both drugs and alcohol misuse, based on a utilisation dataset that can be linked to the user's place of residence and controlled for effects that may drive up utilisation, but are not connected to need.

4) A new formula component for sexual health treatment services. The existing target formula uses the SMR<75 to indicate areas where deprivation and other factors may be creating a greater health challenge. The link between mortality and need for sexual health service is not strong. And as such ACRA is now proposing a new formula based on a utilisation dataset that can be linked to a user's place of residence and controlled for effects that may increase utilisation. However, this is still not linked to need and is likely to see a reduction in resources for the most deprived areas.

5) The formula proposed by ACRA has three elements:

- The under 5 years child population;
- An adjustment for relative need per head of the population base;
 - o ACRA felt that data re vulnerable births e.g. low birth weight, children born to mothers under 20 was too volatile to include.
 - o Indices of multiple deprivation have not been used.
 - o Safeguarding caseloads have not been factored in formula.
 - o ACRA favours, and has used in the proposed formula, the measure 'Children in Low Income Households'
 - o The measure also needs to be scaled – how much higher should be the weight per head for children in poverty compared with children not in poverty. ACRA has found little evidence to support a particular weighting and an element of judgement is required, so are proposing a ratio of 4:1 as reflecting a central position given the advice they have received.
- Sparsity; A model has been developed which suggests that health visitors in the most sparsely populated areas require 4% more resources than the least sparsely populated to enable longer travelling times. This does not necessarily reflect time spent by health visitors on cases which is more likely to be dependent on complexity and families need.

With these three elements combined, the new component for children's 0-5 services tends to benefit areas with higher birth rates. It also has a tendency to reduce the target share for more deprived areas. Because health visiting is a universal service the effect of weighting for deprivation is less than in other parts of the formula.