

Report to:	Cabinet	Date of Meeting:	3 December 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, and seek approval for: -

- i) Note that the Comprehensive Spending Review, to be announced on 25th November 2015, and the subsequent financial settlement for 2016/17, will affect the two-year financial plan,
- ii) Progress in the achievement of the approved savings for 2015/16 (and any residual savings carried forward from previous years);
- iii) To highlight other financial risks elsewhere in the budget;
- iv) The forecast on Council Tax and Business Rates collection;
- v) To consider the purchase of two Ultra Low Emission vehicles for inclusion in the Capital Programme;
- vi) New car parking charges at specific locations as set out in the report; and the progression of a Traffic Regulation Order to set the charges on the specified car parks; and
- vii) The acceptance of grant funding from the Department of Energy and Climate Change for vulnerable occupiers (across the Liverpool City Region) of properties that do not currently have gas central heating. Also, to approve the inclusion of the scheme in the Capital Programme and the Council's role of Accountable Body for the scheme.

Recommendation(s)

Cabinet is recommended to:-

- i) Note that the Comprehensive Spending Review, to be announced on 25th November 2015, and the subsequent financial settlement for 2016/17, will affect the two-year financial plan,
- ii) Note the progress to date on the achievement of approved savings for 2015/16 and residual savings carried forward from previous years;
- iii) Note the wider financial pressures being experienced in the remainder of the Budget;
- iv) Note the forecast position on the collection of Council Tax and Business Rates;
- v) Approve the provision of two Ultra Low Emission pool vehicles, as outlined in paragraph 7, and include £10,712 in the Capital Programme;
- vi) Approve the Cabinet Member recommendations for car parking charges at Crosby Lakeside Adventure Centre and Blucher Street, Waterloo; Burbo Bank,

Blundellsands and Sumner Road, Formby as set out in the report; and the progression of a Traffic Regulation Order to set the charges on the above car parks; and

- vii) Accept the offer of grant funding from the Department of Energy and Climate Change for vulnerable occupiers (across the Liverpool City Region) for properties that do not currently have gas central heating. Also, to approve the inclusion of the scheme in the Capital Programme and the Council's role of Accountable Body for the scheme.

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. To enable the leasing of two low emission vehicles to be used as pool cars and to approve new car park charges at specific locations as set out in the report. Also, to approve the inclusion of a gas central heating project for vulnerable residents of the LCR in the Capital Programme and the Council's role of Accountable Body for the scheme.

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 £2.893m (marginally up from £2.884m 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 October, 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.

There is anticipated to be a £7,000 a year net saving for two years for the revenue budget as a result leasing two low emission vehicles to be used as pool cars (see section 7). Of this, £2,036 will be used to part fund the leasing and running costs of the vehicle.

The approval of new car parking charges at specific locations as set out in the report will contribute to the required budget savings agreed by Council on 5 March 2015.

(B) Capital Costs

The cost to lease the two low emission vehicles is £5,356 per year. This will be funded by 75% grant and 25% from reduced car allowance payments.

The central heating installation across the Liverpool City Region scheme will need to be included in the Capital Programme at a total cost of approximately £672k. The vast majority of the total cost (£657k) will be met by Government and other external grant support. There is a residual cost to the Council (£15k) which will be met from an existing external fuel poverty fund for 2015/16 and 2016/17.

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 3911/15)

The Head of Regulation and Compliance has been consulted and any comments have been incorporated into the report. (LD 3194/15)

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 In the last month, the Government has announced reductions in grant funding which will affect the financial position of the Council in 2015/16 and 2016/17. These specific grant reductions are: -

	2015/16	2016/17
	£m	£m
Public Health	-1.372	TBA
Youth Offending	-0.044	-0.044

TBA – To Be Announced

The Cabinet Member (Health & Wellbeing) submitted a response to the Government’s consultation on the reduction in Public Health Funding in line with the report presented to Cabinet in November 2015. It should be noted that the Comprehensive Spending Review (CSR) is to be announced on 25 November and that the Provisional Local Government Financial settlement for 2016/17 will not be known before 19 December. A report will be presented to the January Cabinet giving an assessment of the CSR impact on the current two-year financial plan.

1.3 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.

1.4 The current financial position on the remainder of the Council’s budget is also highlighted in the report.

- 1.5 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.
- 1.6 The Strategic Capital Investment Group has referred the purchase of two low emission vehicles to this Cabinet for approval and inclusion in the Capital Programme.
- 1.7 Following the approval by Council of car parking charges at specific locations within the Borough, the Cabinet Member (Regulatory, Compliance and Corporate Services) has recommended specific charges as set out in the report.
- 1.8 The Liverpool City Region has been offered grant funding from the Department of Energy and Climate Change for vulnerable occupiers (across the Liverpool City Region) of properties that do not currently have gas central heating. The Council has been the lead authority in preparing the bid. A grant offer from DECC has now been received, which this report seeks approval to accept.

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 October 2015 for the achievement of savings is that £24.172m 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 £2.094m are at some risk of not being fully achieved. This leave a further £2.893m 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 major change since the last report is that the Adult Social Care (ASC) budget is now forecasting a net deficit position of £1.9m. As part of the Medium Term Financial Plan (MTFP), there is an expectation for 2015/16 that a £3m contribution from the Better Care Fund (BCF) Programme would support ASC commitments this financial year, (and a further £3m in 16/17, totalling some £6m). To date, this contribution is a high risk. With regard to the current financial year, there is therefore a potential shortfall of £3m in the ASC budget. Negotiations are continuing with the CCG to find a 2016, and future years, sustainable position.

However, with regard to the current financial year, the Council has identified surpluses on the ASC employee budget resulting from vacant posts (£0.5m) and on the Housing Related Support budget (£0.6m), both in anticipation of 2016/17 savings, which could offset £1.1m of the £3m shortfall in this financial year. However, this saving would **not** be available to help support the potential £6m shortfall in future years.

3.1.2 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 £2.3m. Members will be asked to consider a revised MTFP at the January meeting which will address the identified budget shortfall.

3.1.3 The Children Social Care budget is showing a forecast demand exceeding approved budget of £2.5m. 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.

3.1.4 The Schools and Families related services are continuing to report a surplus and at this point it is estimated at £1.0m. This mainly relates to staff vacancies across the service, much of which will be reduced through approved savings in 2016/17.

3.1.5 The Admin Buildings and Other Properties budgets are forecasting a deficit 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.

3.1.6 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, and managed, 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 October 2015 is a surplus of -£5.057m on Council Tax income. This is an increase of -£0.086m compared to the surplus previously reported (-£4.971m) for the end of September 2015. The increase in surplus is due banding list changes (-£0.011m), exemptions and discounts (+£0.019m), and the council tax reduction scheme (-£0.094m).

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	-4,308
Police & Crime Commissioner	10.2	-517
Fire & Rescue Authority	4.6	-232
Total	100	-5,057

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	-4,308
Less Council Tax Surplus - MTFP	511
Variation	-3,797

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 October 2015.
- 5.2 Overall the net CTRS is forecasting a favourable outturn position of -£2.380m. This forms part of the Council Tax surplus forecast in paragraph 4.2. This is an increase of -£0.094m compared to the surplus previously reported (-£2.286m) for the end of September 2015. The increase in surplus is due a reduction in the number of claims for council tax support from 28,585 on 1 October 2015 to 28,400 on 1 November 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	01/11/15
Working Age - Employed	2,900	2,748	2,581
Working Age - Other	13,125	12,601	12,303
Working Age - Total	16,025	15,349	14,884
Pensioners	14,655	13,925	13,516
Total	30,680	29,274	28,400

Council Tax Collection CTRS Claimants 2015/16 to date (Data at 02/11/15)	Liability Raised £000	Income Received	
		£000	%
Working Age - Employed	1,396	589	45.5
Working Age - Other	2,500	1,189	47.5
Working Age - Total	3,896	1,778	45.6
Pensioners	1,865	1,341	71.9
Total	5,761	3,119	54.1

Council Tax Collection CTRS Claimants 2014/15 (Data at 02/11/15)	Liability Raised £000	Income Received	
		£000	%
Working Age - Employed	1,413	1,149	81.3
Working Age - Other	2,664	2,066	77.6
Working Age - Total	4,077	3,215	78.9
Pensioners	2,002	2,000	99.9
Total	6,079	5,215	85.8

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 October 2015 is a surplus of -£2.922m on Business Rates income. This is a decrease of £0.011m compared to the surplus previously reported (-£2.933m) for the end of September 2015. The variation is due an increase in gross charges (+£0.052m), small business rate relief (+£0.028m) mandatory rate reliefs (+£0.123m), discretionary rate reliefs (-£0.002m) and other rate reliefs supported by Section 31 grants (-£0.191m).
- 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	-1,461
Sefton Council	49	-1,432
Fire & Rescue Authority	1	-29
Total	100	-2,922

- 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		-1,432
Less Deficit Forecast in MTFP		-324
Section 31 Grant - Business Rate Reliefs	-229	
Total	-229	-1,756

- 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. Ultra Low Emission Pool Vehicles

- 7.1 The scheme to acquire two low emission pool vehicles was considered and approved by the Strategic Capital Investment Group on Monday 2nd November and is now being put forward for consideration by Cabinet to add this scheme to the Capital Programme.
- 7.2 The scheme which forms part of a Liverpool City Region initiative, includes the provision of two Ultra Low Emission pool vehicles for use by Sefton Council Staff for business purposes.
- 7.3 The two vehicles will be leased over a period of two years at a cost of £5,356 per year. The leasing costs of the vehicles will attract 75% grant funding from the Office of Low Emission Vehicles for the period of 2 years (£4,016). The balance of funding will be provided by reduced payments of car allowances for the two year period (see below).
- 7.4 A fleet review was undertaken by the Energy Savings Trust which identified that the provision of two ultra-low emission vehicles, for use for Sefton Council business miles, would achieve savings in the region of £14,000 over 2 years (based on 10,000 miles per year for each vehicle). The financial savings will be achieved through the replacement of vehicle mileage claims by members of staff with the use of the ultra-low emission pool vehicles. For instance the Ultra Low Emission Vehicle, taking into account the grant funding, costs 10p per mile and the mileage claim rate is 45p per mile therefore a saving of 35p per mile will be achieved.
- 7.5 Cabinet is recommended to add £10,712 to the Capital Programme.

8. Car Parking Charges

- 8.1 As part of the budget savings to be made for 2015/16 and which were accepted by Council at its meeting of the 5th March it is proposed to introduce parking charges on the car parks identified below. The Cabinet Member (Regulatory, Compliance and Corporate Services) has recommended the following charges for the car parks:

Crosby Lakeside Adventure Centre, Waterloo
Blucher Street, Waterloo
Burbo Bank, Blundellsands
Sumner Road, Formby (max 2 hour stay)

It is proposed that the charges on the car parks will be:

Up to 30 mins	20p
Up to 2 hours	90p
Up to 4 hours	£1.70
Over 4 hours	£3.40

An annual pass will be made available for use on the seafront car parks at a cost of £35 per annum.

9. Grant offer for central heating installation across the Liverpool City Region

- 9.1 Over recent months, officers have been preparing a bid (with the Liverpool City Region) to the Department of Energy and Climate Change (DECC) for grant funding for vulnerable occupiers of properties that do not currently have gas central heating.
- 9.2 The Council has now received an offer from DECC of grant funding for vulnerable households. If accepted, the Council will receive £417,900 from the DECC and further national funding, received directly by other partners, of £239,500. The Council will be required to contribute £15,000, which will be met from an existing external fuel poverty fund for 2015/16 and 2016/17. In total, an investment of £672,400 can be achieved.
- 9.3 As a result, 150 households across LCR who are fuel poor, and who do not have gas, will benefit from free installation of central heating systems. Southport is a key target area (across the LCR) due to the low number of properties who have access to gas for central heating. The installation work has to be completed by 31 August 2016 (although it may be able to be extended by written agreement from DECC).
- 9.4 In accepting the bid, Sefton will be the official “Accountable Body”, and as a result will be responsible for completing grant claims and ensuring that the grant received is spent as the scheme intended. The scheme is not yet in the Capital Programme, hence, if Cabinet is minded to approve the scheme, approval will need to be given to include it in the Programme.