

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	14 January 2016
<b>Subject:</b>	Revenue Budget 2015/16 Update	<b>Wards Affected:</b>	(All Wards);
<b>Report of:</b>	Chief Finance Officer		
<b>Is this a Key Decision?</b>	Yes	<b>Is it included in the Forward Plan?</b>	Yes
<b>Exempt/Confidential</b>	No		

### **Purpose/Summary**

To inform Cabinet of, and seek approval for: -

- 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) The acceptance of the offer of grant funding from Veolia UK towards the installation of a skate park within Killen Green Park. Also, to approve the inclusion of the scheme in the Capital Programme; and
- v) The temporary extension of two contracts with Liverpool Community Health.

### **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) Accept the offer of grant funding from Veolia UK and approve works to install a skate park within Killen Green Park, as outlined in paragraph 7, and include £86,315 in the Capital Programme;
- v) Approve the extension / amendment of the Smoking Cessation Service contract for 12 months until 31 March 2017, and the Healthy Sefton phone line contract for six months, until 30 September 2016, as set out in paragraph 8.

## 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 a skate park to be installed in Killen Green Park which will reduce antisocial behaviour, increase community spirit and the development of the park. The report seeks the temporary extension of two contracts with Liverpool Community Health pending the procurement of the new Integrated Wellness Service.

### 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 (unchanged from the previous month) 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 November, 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.

The temporary extension of the two Liverpool Community Health contracts will be contained within existing revenue budgetary provision.

**(B) Capital Costs**

The cost of installing a skate park in Killen Green Park is estimated to be £86,315. This will be funded by Cr8 grant awarded by Veolia UK (£30,000), a contribution from the L30's Millions group (£30,000) and the remainder being funded by section 106 monies (£26,315).

**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 3957/15)

The Head of Regulation and Compliance has been consulted and any comments have been incorporated into the report. (LD 3240/15)

**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.
- 1.5 The Strategic Capital Investment Group (2<sup>nd</sup> November 2015) has referred the installation of a skate park in Killen Green Park scheme to this Cabinet for approval and inclusion in the capital programme.
- 1.6 The report also seeks Cabinet approval to the temporary extension of the Smoking Cessation Service contract for 12 months until 31 March 2017, and the Healthy Sefton phone line contract until 30 September 2016.

## **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 November 2015 for the achievement of savings is that £24.520m 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 £1.746m

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 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. 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 £1.9m. This is an adjusted position to the last monitoring figures (£2.4m) - as it reflects the transfer of the budgets for *Children with Disabilities* from Children's Social Care to Schools and Families responsibility. The deficit of £1.9m 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 £0.6m. This is an adjusted position to the last reported figures (£1.1m surplus), as it reflects the transfer of the budgets for *Children with Disabilities (CWD)* from Children's Social Care to Schools and Families responsibility. The transferred CWD service currently has a forecast deficit of £0.5m. The remainder of Schools and Families services have a forecast surplus of £1.1m, and this mainly relates to staff vacancies across the service, much of which will be reduced through approved savings in 2016/17.

- 3.1.4 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.

- 3.1.5 The Adult Social Care budget is continuing to show a deficit position of £1.9m. As part of the Medium Term Financial Plan there is an expectation for 2015/16 that £3m savings will arise from the Better Care Fund Programme to support Adult Social Care commitments this financial year. To date no savings have been found leaving a shortfall of £3m in the Adult Social Care budget. However, surpluses on the employee budget resulting from vacant posts (£0.5m) and on the Housing Related Support budget (£0.6m), both in anticipation of 2016/17 savings, are offsetting £1.1m of the £3m shortfall for this financial year.
- 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 November 2015 is a surplus of -£5.165m on Council Tax income. This is an increase of -£0.108m compared to the surplus previously reported (-£5.057m) for the end of October 2015. The increase in surplus is due banding list changes (+£0.102m), exemptions and discounts (+£0.045m), empty homes premium (-£0.042), and the council tax reduction scheme (-£0.063m).
- 4.3 The surplus will be distributed between the Council and major preceptors as follows:

<b>Council Tax Surplus (-) to be distributed</b>	<b>%</b>	<b>£'000</b>
Sefton Council	85.2	-4,400
Police & Crime Commissioner	10.2	-529
Fire & Rescue Authority	4.6	-236
<b>Total</b>	<b>100</b>	<b>-5,165</b>

- 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	-4,400
Less Council Tax Surplus - MTFP	511
Variation	-3,889

## 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 November 2015.
- 5.2 Overall the net CTRS is forecasting a favourable outturn position of -£2.443m. This forms part of the Council Tax surplus forecast in paragraph 4.2. This is an increase of -£0.063m compared to the surplus previously reported (-£2.380m) for the end of October 2015. The increase in surplus is due a reduction in the number of claims for council tax support from 28,400 on 1 November 2015 to 28,257 on 1 December 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	01/12/15
Working Age - Employed	2,900	2,748	2,538
Working Age - Other	13,125	12,601	12,229
Working Age - Total	16,025	15,349	14,767
Pensioners	14,655	13,925	13,490
Total	30,680	29,274	28,257

Council Tax Collection CTRS Claimants 2015/16 to date (Data at 02/12/15)	Liability Raised £000	Income Received	
		£000	%
Working Age - Employed	1,288	672	52.2
Working Age - Other	2,529	1,352	53.5
Working Age - Total	3,817	2,024	53.0
Pensioners	1,874	1,520	81.1
Total	5,691	3,544	62.3

Council Tax Collection CTRS Claimants 2014/15 (Data at 02/12/15)	Liability Raised £000	Income Received	
		£000	%
Working Age - Employed	1,415	1,161	82.1
Working Age - Other	2,663	2,090	78.5
Working Age - Total	4,078	3,251	79.7
Pensioners	2,004	2,002	99.9
Total	6,082	5,253	86.4

## 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 November 2015 is a surplus of -£2.995m on Business Rates income. This is an increase of £0.073m compared to the surplus previously reported (-£2.922m) for the end of October 2015. The variation is due an increase in gross charges (+£0.011m), small business rate relief (+£0.029m) mandatory rate reliefs (+£0.030m), discretionary rate reliefs (+£0.027m) and other rate reliefs supported by Section 31 grants (-£0.170m).
- 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	-1,497
Sefton Council	49	-1,468
Fire & Rescue Authority	1	-30
Total	100	-2,995

- 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:



<b>Impact on Budget / MTFP</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Forecast Business Rates Surplus (-) / Deficit		-1,468
Less Deficit Forecast in MTFP		-324
Section 31 Grant - Business Rate Reliefs	-274	
<b>Total</b>	<b>-274</b>	<b>-1,792</b>

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. Capital Scheme – Killen Green Park**

7.1 The scheme was considered and approved by the Strategic Capital Investment Group on Monday 2<sup>nd</sup> November and is now being put forward for approval. Cabinet is recommended to add this scheme to the Capital Programme.

7.2 The need for this project has come from residents and stakeholders around Killen Green Park in Netherton. The proposed masterplan for the park has been informed by issues raised by residents around anti-social behavior, with areas of the park requiring investment and the need for activities that young and older people can engage with in the area. Proposed improvements include improvements to entrances, boundary railings, play area, and a dog walking area fence.

7.3 The L30s Millions group believes that installing a skate park would benefit at least three of the agreed key themes: reducing antisocial behaviour, increasing community spirit and the development of Killen Green Park. Therefore the group has allocated £30,000 towards the cost of the installation from their first year's budget (2015/16). However, this allocation is not enough to fund the proposed works. Therefore, in July 2015, a bid was submitted to the Cr8 grant programme awarded by Veolia UK. This funding is to fund the remaining cost of the skate park capital works. Sefton Council was informed this bid was successful on 11<sup>th</sup> September 2015 resulting in an allocation of £30,000.

7.4 The remainder of the required budget for the improvement work will be funded through £26,315 Section 106 monies allocated by the Ward Members. This takes the total work budget for the scheme to £86,315.

7.5 Cabinet is recommended to add £86,315 to the Capital Programme.

## **8. Liverpool Community Health – Temporary Contract Extensions**

8.1 The current smoking cessation contract with Liverpool Community Health (LCH) expires on 31 March 2016. Due to the delay in the procurement of the Integrated Wellness Service (IWS), it is proposed that LCH will be asked to provide an interim service for 2016/17. It is recommended that the contract is extended for 12 months

until 31 March 2017. It is anticipated that the service will require approximately 50% reduction in contract value and will be a more specialist/targeted service. This will require negotiation with LCH. The anticipated cost is £600,000.

- 8.2 In addition, the Healthy Sefton Phone Line currently provided by LCH also expires on 31 March 2016. This service will need to be extended to maintain a referral system until the new IWS Hub is running. This may only require a 6 month extension at a cost of £34,000.