

Report to:	Cabinet	Date of Meeting:	7 April 2016
Subject:	Revenue Budget 2015/16 - Update	Wards Affected:	(All Wards);
Report of:	Chief Finance Officer		
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) 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 Government's invitation to the Liverpool City Region to be included in a pilot for the implementation of the 100% Business Rates Retention Scheme;
- iv) The forecast on Council Tax and Business Rates collection; and
- v) Agree the process for determining Adult Social Care fees 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 that the Council, together with the other authorities in the Liverpool City Region has agreed to work with the Department for Communities and Local Government (DCLG) to participate in and to develop the details of the approaches to be piloted as part of the review of the 100% Business Rates Retention Scheme;
- iv) Note the forecast position on the collection of Council Tax and Business Rates;
- v) With regard to Adult Social Care fees for 2016/17: -
 - a) Authorise Officers to conduct consultation with providers' regarding fees for 2016/17;
 - b) To delegate any post-consultation decisions regarding future fees to the Cabinet Member – Adult Social Care, in conjunction with the Head of Adult Social Care and the Head of Corporate Resources, within the resources available in the 2016/17 Budget; and
 - c) To report back to Cabinet if it is found that any potential decisions regarding fees are beyond the resources available.

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

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		•	
2	Jobs and Prosperity		•	
3	Environmental Sustainability		•	
4	Health and Well-Being		•	
5	Children and Young People		•	
6	Creating Safe Communities		•	
7	Creating Inclusive Communities		•	
8	Improving the Quality of Council Services and Strengthening Local Democracy		•	

Reasons for the Recommendation:

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 inform Cabinet of the offer from the DCLG to the Liverpool City Region to work with the DCLG to participate and develop approaches to be piloted as part of the review of the 100% Business Rate Retention Scheme. To provide an update on the forecast outturn position on the collection of Council Tax and Business Rates. Also, to agree the process for determining Adult Social Care fees for 2016/17.

Alternative Options Considered and Rejected:

None.

What will it cost and how will it be financed?

(A) Revenue Costs

Should there be any under-achievement of the agreed revenue budget savings for 2015/16 (and residual savings from previous years), this 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 whilst £5.986m are at significant risk, other revenue items have been identified to offset this. At this stage therefore the forecast outturn for 2015/16 is anticipated to be within budget compared to the Budget approved by Council on 5 March 2015.

(B) Capital Costs

None.

Implications:

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

Financial None. At the present time a revenue surplus is forecast for the financial year	
Legal None	
Human Resources None	
Equality	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

Impact of the Proposals on Service Delivery:

None.

What consultations have taken place on the proposals and when?

The Chief Finance Officer (FD 4112/16) is the author of this report and the Head of Regulation and Compliance (LD 3395/16) has been consulted and any comments have been incorporated into the report.

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

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Background Papers:

There are no background papers available for inspection

1. Introduction/Background

- 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 amendments for 2016/17 to this two year plan were reported to the Cabinet meeting on the 18 February 2016.
- 1.2 This report presents the latest position on the achievement of agreed savings for 2015/16, 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 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 informs Members of the development of the Medium Term Financial Plan and of an offer from the Government to be part of a pilot for the proposed Business Rates Retention Scheme.
- 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.

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 February 2016 for the achievement of savings is that £24.554m of the total required savings in 2015/16 of £31.159m (for the current year and carry-forward items) have been delivered or are on plan, with £0.619m at some risk of not being fully achieved. This leaves a further £5.986m of savings that are unlikely to be achieved in 2015/16 (identified as "Red"). At the present time, ongoing pressures are anticipated in 2016/17; notably £1.141m in Children's Social Care, £2.8m in Adult Social Care and £0.585m across other services.

2.3 Work is ongoing in Adult Social Care with Health colleagues to identify areas where social care related services can be reduced to support the outstanding Adult Social Care savings for 2015/16 and the new saving requirement in 2016/17.

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) are continuing; the latest forecast for 2015/16 is that the additional expenditure above budget will total £2.1m.

3.1.2 In addition to the £1.141m of savings which have been identified previously as unlikely to be achieved; there are a further £2.369m of cost pressures within the Children's Social Care budget. It is clear that the number of children and families requiring support is increasing and their needs are complex. As a result, the key issues are in relation to children's care packages and placements, which are currently forecast to overspend by £3.5m in 2015/16. These include: -

- Residential Agency	£1.4m
- Special Guardianship and Child Arrangement Orders	£0.7m
- Independent Foster Placements	£0.3m
- Foster Allowances	£0.5m
- Children with Disabilities care packages	£0.6m

It should be noted that as a result of these cost pressures, Council at its meeting of 3 March 2016, agreed to increase the Children's Social Care budget for 2016/17 by £2.5m. Since the previously reported position for 2015/16, there has been an increase in the cost of placements and packages. Whilst there has been a minor reduction in the number of Looked After Children, the numbers of children in high cost placements (such as Remand and Mother and Baby) has increased. The service continues to seek efficiencies where it can to alleviate these cost pressures.

3.1.3 The Schools and Families related services are continuing to report a surplus and at this point it is estimated at £1.535m, an increase of £0.109m on the last monitoring figures. This is due to the management and administration function of the Schools and Families service including staff vacancies and supplies and services. In summary, the Schools and Families services forecast surplus mainly relates to Family Support (£0.504m), Schools and Families central costs (£0.511m), Education Services (£0.285m) and SEN and Inclusion Services (£0.202m).

3.1.4 It is currently forecast that Adult Social Care will now achieve a balanced budget in 2015/16. To offset the unachievable savings identified in section 2 (£2.952m),

there are surpluses relating to vacant posts within the employee budget (£1.009m) and within the Housing Related Support budget (£0.6m), the majority of these surpluses being in anticipation of 2016/17 budgeted savings. Since the previously reported position, surpluses have been identified within the Better Care Fund (£0.839m) and an additional contribution has been received from the CCG's (£0.500m) to assist with the pressures in the Community Care budget in 2015/16. Work is currently being undertaken in relation to the 2016/17 budget situation, to identify areas where social care related services can be reviewed given that dialogue is continuing as to the level of support that will be available through the Better Care Fund.

3.1.5 The Council's net debt charge budget is showing a surplus of £0.700m arising principally to better long term investment rates and investment in the Property Fund which is the Council's best performing investment and continuing use of internal funding of capital schemes to avoid external interest charges.

3.1.6 Across the remainder of the budget, there are significant forecast underspends across services, including:

- Health and Wellbeing (£0.400m) relating to NHS Health-checks, employees and utility costs. The Health-check Service will be re-procured with an updated specification to start in April 2016;
- Commissioning Support and Business Intelligence (£0.503m) comprising employee costs due to vacant posts, maternity and secondments along with a surplus from supplies and services;
- Corporate Support (0.474m). There have been savings achieved from the Arvato contract of £0.300m along with a number of Finance Department savings achieved in advance of 2016/17; and
- Locality Services-Commissioned (£0.401m) which has been achieved from higher than expected Highways Management income levels.

3.1.7 A number of one-off surpluses have been identified to support the 2015/16 financial position. The review of taxi licencing which was commissioned as part of the two year financial plan released a surplus of £0.78m. The use of Independent Living Fund grant to support ongoing activity will reduce the deficit by £0.5m and the in-year reduced demand on the pay and prices contingency will reduce the overall deficit by £1.5m. A range of reviews, including charges for rechargeable works and specific provisions will reduce the overall deficit by a further £1.24m.

3.1.8. In summary, whilst there is still an element of uncertainty in the outcome of some of the identified under/overspends it is currently anticipated that the Authority's outturn position will be within budget at the end of 2015/16.

4. Development of Medium Term Financial Plan/ Business Rates Pilot

- 4.1 As stated in this report, the closure of accounts process will now commence in order to determine the Authority's final outturn position for 2015/16, and work will also start to develop the Council's Medium Term Financial Plan for 2017/18 to 2019/20 as outlined in the recent budget report.
- 4.2 Within this context, Members will be aware that central government has announced that should Authority's wish to do so, they can take up the offer of a 4 year financial settlement (up until 2020), if an appropriate sustainable financial plan is in place. The aim of this proposal is to provide financial certainty to Authority's and in doing so support long term planning. Initial advice is that an Authority's Medium Term Financial Plan for the period would meet this requirement and plans should be submitted by 14 October 2016 if the 4 year settlement option is to be requested. As further information becomes available, the Council will be able to evaluate the merits of this opportunity and determine its approach.
- 4.3 Alongside this proposal, and in advance of the recent National Budget announcement, all councils in the Liverpool City Region were approached by central government as to whether they would consider exploring the potential of piloting approaches for the '100% Business rates Retention Scheme' that is due to come into being before the end of the current parliament. Discussions were held with representatives of the Department for Communities and Local Government (DCLG) at which the level of commitment required the overall financial implications of the proposals and the links with the potential 4 year settlement were explored.
- 4.4 From these discussions, it was advised that this opportunity would enable the Council and the Liverpool City Region to work with the DCLG on the precise details of the approaches to be piloted over the coming months and shape the design of the new '100% rates retention scheme' before it is finally implemented in the City Region and more widely. Consequently, this engagement would allow the Council to evaluate the impact of the proposals and determine its approach thereafter. During this dialogue it was advised that should the Council participate in the pilot, it would not be placed in a detrimental financial position to that proposed under the current local government finance regime over the four-year settlement period.
- 4.5 As a result of this, Sefton Council Officers and the other local authorities within the City Region have indicated that they would be prepared to engage in the dialogue around a pilot during which the impact for the Council will be carefully considered and Members will be fully informed of proposals, progress and developments during the coming months. As would be expected, should the Council decide to participate in a pilot exercise this would supercede the requirement to consider the 4 year settlement.

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.

5.2 The forecast outturn at the end of February 2016 is a surplus of -£5.456m on Council Tax income. This is an increase of -£0.212m compared to the surplus previously reported (-£5.244m) for the end of December 2015. The increase in surplus is due banding list changes (-£0.049m), exemptions and discounts (-£0.108m), Empty Homes Premium (+£0.016m) and Council Tax Reduction scheme (-£0.071m).

5.3 A forecast surplus of £5.244m was declared on the 15 January 2016. This is the amount that will be distributed from the Collection Fund in 2016/17. The additional surplus of £0.212m will be distributed in 2017/18.

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

Council Tax Surplus (-) to be distributed	%	2016/17 £'000	2017/18 £'000
Sefton Council	85.2	-4,467	-180
Police & Crime Commissioner	10.2	-537	-22
Fire & Rescue Authority	4.6	-240	-10
Total	100	-5,244	-212

5.5 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	2017/18 £'000
Council Tax Surplus - Forecast	-4,467	-180
Less Council Tax Surplus - MTFP	511	0
Variation	-3,956	-180

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 February 2016.

6.2 Overall the net CTRS is forecasting a favourable outturn position of -£2.512m. This forms part of the Council Tax surplus forecast in paragraph 5.2. This is an increase of £0.071m compared to the surplus previously reported (-£2.441m) for the end of December 2015. The increase in surplus is due a decrease in the number of claims for council tax support from 28,294 on 1 January 2016 to 28,140 on 1 March 2016.

6.3 CTRS Claimant numbers have reduced since the scheme was introduced. In April 2014 total claimant numbers stood at 30,680, which had reduced to 29,274 by April 2015 and 28,140 by the beginning of March 2016. In addition, income collection in CTRS cases has been better than initially forecast. As at 2 March 2016, 88.1% of the liabilities raised in 2014/15 has been collected. Of the liabilities raised in 2015/16, 80.2% has been collected by 2 March 2016.

7. **Business Rates Income – Update**

7.1 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.

7.2 The forecast outturn at the end of February 2016 is a surplus of -£2.908m on Business Rates income. This is an increase of £0.705m compared to the surplus for the end of December 2015. The variation is due an increase in gross charges (-£0.597m), small business rate relief (+£0.070m) mandatory rate reliefs (+£0.212m) and other rate reliefs supported by Section 31 grants (-£0.390m).

7.3 A forecast surplus of £2.865m was declared in January 2016. This is the amount that will be distributed from the Collection Fund in 2016/17. The additional surplus of £0.043m will be distributed in 2017/18.

7.4 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	%	2016/17 £'000	2017/18 £'000
Central Government	50	-1,432	-22
Sefton Council	49	-1,404	-21
Fire & Rescue Authority	1	-29	0
Total	100	-2,865	-43

7.5 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	2017/18 £'000
Forecast Business Rates Surplus (-) / Deficit		-1,404	-21
Less Deficit Forecast in MTFP		-324	-324
Section 31 Grant - Business Rate Reliefs	-286		0
Total	-286	-1,728	-345

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.

8. Adult Social Care - Fees and Rates Uplift 2016/17

- 8.1** In line with contractual requirements, the Council is required to set fees and rates for providers' for the 2016/17 financial year. Fee setting should take into account the legitimate current and future costs faced by providers and the Council should ensure that it has in place fee negotiation arrangements that recognise providers' costs and what factors affect them. One key area that requires further analysis is the impact on Providers' of the new National Living Wage. As a result, it is recommended that the Council conducts consultation with providers' regarding such issues. Following the consultation it is also recommended that any decisions regarding the setting of fees be designated to the Cabinet Member – Adult Social Care, in conjunction with the Head of Adult Social Care and the Head of Corporate Resources, with the proviso that such decisions are made within the resources available in the Mid-Term Financial Plan. Should the consultation indicate a decision outside the boundaries of the resources available in the Mid-Term Financial Plan, this will be reported to Cabinet for Decision.