

Report to: Cabinet

Date of Meeting: 27 November 2014

Subject: 2014/2015 and 2015/2016 Budget Update

Report of: Head of Corporate Finance & ICT **Wards Affected:** All

Is this a Key Decision? No

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 2014/2015 (and any residual savings carried forward from 2013/2014);
- ii) To highlight other financial risks elsewhere within the budget;
- iii) The forecast on Council Tax and Business Rates collection; and
- iv) To consider the implementation of an amended green waste refuse collection timetable for 2015/2016, including associated working arrangements.

Recommendation(s)

Cabinet is recommended to:-

- i) The progress to date on the achievement of approved savings for 2014/2015 and residual savings carried forward from previous years;
- ii) The wider financial pressures being experienced in the remainder of the Budget;
- iii) The forecast position on the collection of Council Tax and Business Rates; and
- iv) To approve the implementation of the amended green waste refuse collection timetable for 2015/2016, including associated working arrangements; and
- v) Delegate authority to the Director of Street Scene to undertake all necessary arrangements to enable the amended green waste refuse collection to be implemented in February 2015.

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:

- vi) 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 implementation of the amended green waste refuse collection timetable for 2015/2016, including associated working arrangements. Also, to delegate authority to the Director of Street Scene to undertake all necessary arrangements to enable the amended green waste refuse collection to be implemented in February 2015.

What will it cost and how will it be financed?

(A) Revenue Costs

i) 2014/2015 Revenue Budget

Any under-achievement of the agreed revenue budget savings for 2014/2015 (and residual savings from previous years) will need to be financed from within any under-spending identified within other areas of the 2014/2015 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 £1.299m 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, other significant variations in the remainder of the Council's Budget total some £0.599m. Hence the net overall budget pressures currently identified total £1.898m.

ii) 2015/2016 Revenue Budget

The implementation of the proposed amended timetable for collection of green waste is expected to generate £0.430m of budget reductions. This will contribute to the identified budget savings gap of £55m.

(B) Capital Costs

None

Legal: There are no legal implications arising from the contents of this report.

Human Resources None

Equality

- 1. No Equality Implication
- 2. Equality Implications identified and mitigated
- 3. Equality Implication identified and risk remains

Impact on Service Delivery:

None.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance & ICT (FD 3290/14) is the author of the report.

The Head of Corporate Legal Services (LD2582/14) have been consulted and any comments have been incorporated into the report.

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 2013/2014 to 2014/2015 which requires a large change programme of £50.8m to be implemented over these two years. This follows on from significant savings target in the previous two years.
- 1.2 This report presents the latest position on the achievement of agreed savings for 2014/2015, plus the ongoing savings requirements carried forward from previous years. It is important that the Council continue to make the planned progress of the financial plan, i.e. to remain within budget and also to have a sound financial base for the future financial challenges that are expected in 2015/2016 and 2016/2017.
- 1.3 The current financial position on the remainder of the Council's budget is also highlighted in the report.
- 1.4 The report 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 report also sets out a proposal for the 2015/2016 – 2016/2017 budget process to amend the frequency of collection of green waste across the Borough.

2. **Approved savings for 2014/2015 (and previous years carry forward savings)**

- 2.1 The table at **Annex A** identifies the current position of the agreed savings for 2014/2015. 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 2014 for the achievement of savings is that £23.805m of the total required savings in 2014/2015 (£28.840m) have been delivered or are on plan; with £3.736m at some risk of not being fully achieved. This leaves a further £1.299m of savings that are unlikely to be achieved (identified as "Red"), an increase of £0.129m compared to the previously reported position at the end of July, with the increase predominately relating to saving C5.1 Children in Care – Reduce care package costs (£0.265m).

2.3 All budget savings will continue to be closely monitored, with regular reports being presented to Cabinet and Overview and Scrutiny Committee (Performance and Corporate).

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 current forecast for these areas is a net overspend of £0.599m, resulting in an overall forecast deficit in the Council's 2014/2015 Budget of £1.898m. The main areas of variation to the general budget are noted below: -
- 3.1.1 As reported to the September Cabinet, the provision of specialist transportation continues to exceed available budgets. The latest forecast is that the additional expenditure required will total £2.372m. Work is continuing on the review of specialist transport and associated registration of services and associated links to demand / cost, in order to understand the longer term implications for the Council. A greater understanding of the cost drivers and ideas on how these can be mitigated are currently being investigated. Further information will be provided to Cabinet when this exercise is complete.
- 3.1.2 Within the Children and Young People Directorate, the Vulnerable Children budget is showing a forecast net overspend of £0.893m. This is due to various pressures including Adoption Allowances, placement care packages and special guardianships orders. There are however underspending in other areas, notably Early Intervention & Prevention and Leaving Care placements (£0.732m). The net forecast, excluding specialist transport costs, is an overspend of £0.160m.
- 3.1.3 The Adult Social Care budget is forecast to underspend by £0.201m excluding the specialist transport costs. This includes an underspend of £2.121m on Community Care costs (a reduction of £0.139m), however this will help support the achievement of the agreed 2014/2015 saving on Day Care costs (£2.240m). In addition, there is a £0.418m underspend on employee costs due to vacant posts, £0.100m of this will support the Area Finance Review/ Finance Visiting Officer review which has been deferred from 2013/2014.
- 3.1.4 The Public Health budget is forecast to underspend by £0.877m. This is a result of the renegotiation of the Liverpool Community Health Service overhead contract (£0.250m) and the intention to no longer spend the 2014/2015 grant increase in the year.
- 3.1.5 The Council's net debt charge budget is showing an underspend of £0.409m arising principally to the policy of internal borrowing against forecast capital spending (as opposed to borrowing the money from the Government).
- 3.1.6 Across the remainder of the budget, there are significant forecast underspends across many services, including staffing, additional income, and a wide range of areas of the budget
- 3.2. The budget will be closely monitored over the remainder of the financial year.

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 £100.337m for 2014/2015 (including Parish Precepts), which represents 85.2% of the net Council Tax income of £117.791m. The forecast position for total Council Tax income, as at the end of September 2014 is shown below:

2013/2014	Budget £'000	Forecast £'000	Surplus(-) £'000
Total Council Tax Income	-117,791	-121,337	-3,546

4.2 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 £946k in 2014/2015 (Sefton's share was £806k).

4.3 Due to the Collection Fund regulations, the Council Tax surplus will not be transferred to the General Fund in 2014/2015 but will be carried forward to be distributed in future years.

4.4 In January 2014 the Council declared a surplus of £1.141m for 2013/2014 as part of the budget setting process. This is the amount that will be distributed in 2014/2015. At the end of March 2014 the actual council tax surplus on the Collection Fund was £1.448m higher than January estimate. This variation will be carried forward to be distributed in 2015/2016.

4.5 The total forecast surplus to be distributed in 2015/2016 is shown in the table below:

Share of Council Tax Surplus (-) / Deficit to be distributed in 2015/2016	%	2013/2014 Carried Forward £'000	2014/2015 Forecast (26/09/14) £'000	Total £'000
Sefton Council	85.2	-1,233	-3,021	-4,254
Police & Crime Commissioner	10.2	-148	-363	-511
Fire & Rescue Authority	4.6	-67	-162	-229
Total	100	-1,448	-3,546	-4,994

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 2014.

5.2 Overall the net CTRS is forecasting a favourable outturn position of £2.6m. This forms part of the council tax surplus forecast in paragraph 4.1. 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.

5.3 Details of CTRS claimants numbers and council tax collection against CTRS cases are shown below: -

Number of CTRS Claimants	30/09/13	03/04/14	01/10/14
Working Age - Employed	3,079	2,874	2,817
Working Age - Other	13,561	13,151	12,776
Working Age - Total	16,640	16,025	15,593
Pensioners	14,926	14,655	14,342
Total	31,566	30,680	29,935

Council Tax Collection CTRS Claimants 2014/2015 (Data at 03/10/14)	Liability Raised £000	Income Received	
		£000	%
Working Age - Employed	1,408	554	39.4
Working Age - Other	2,542	1,015	39.9
Working Age - Total	3,950	1,569	39.7
Pensioners	1,917	1,215	63.4
Total	5,867	2,784	47.5

Council Tax Collection CTRS Claimants 2013/2014 (Data at 03/10/14)	Liability Raised £000	Income Received	
		£000	%
Working Age - Employed	1,469	1,218	82.9
Working Age - Other	2,726	2,139	78.5
Working Age - Total	4,195	3,357	80.0
Pensioners	2,045	2,039	99.7
Total	6,240	5,396	86.5

6. Business Rates Income – Update

6.1 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.

6.2 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.

6.3 The forecast position for Business Rates income and related Section 31 Grants, as at the end of September 2014 is shown in the table below:

Business Rates 2014/2015	Budget £'000	Forecast £'000	Variation £'000
Business Rate Yield (Net)	-61,890	-64,815	-2,925
Section 31 Grants – Rate Reliefs etc	-2,787	-2,195	592

6.4 The forecast identifies a surplus compared to the budget position. The main reasons for this are an increase in gross rates charges compared to a forecast reduction and lower than forecast empty property relief and retail relief. As the cost of retail relief is met by a Section 31 grant the Council will need to take account of any loss of related grant income in 2014/2015.

6.5 In January 2014 the Council declared a deficit of £3.048m for 2013/2014 as part of the budget setting process. This amount will be recouped in 2014/2015. At the end of March 2014 the actual business rate deficit on the Collection Fund was £0.493m higher than the January estimate. This will need to be recouped in 2015/2016.

6.6 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 £1.323m (40%) against any surplus (-) or deficit to be distributed in 2015/2016.

6.7 The total forecast surplus to be distributed in 2015/2016 is shown in the table below:

Share of Business Rates Surplus (-) / Deficit	%	2013/2014 Carried Forward £'000	2014/2015 Forecast (01/10/14) £'000	Appeals Provision Spreading £'000	Total £'000
Central Government	50	247	-1,463	-662	-1,878
Sefton Council	49	241	-1,433	-648	-1,840
Fire & Rescue Authority	1	5	-29	-13	-37
Total	100	493	-2,925	-1,323	-3,755

7. Council Tax / Business Rates Income – Summary

7.1 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 September shows additional income of £4.254m from Council Tax and additional income of £1.840m from Business Rates.

7.2 The forecast surplus on both Council Tax and Business Rates needs to be offset against a forecast reduction in Section 31 Grant for business rates reliefs and amounts included in the Medium Term Financial Plan for Council Tax Surplus and Appeals Spreading.

7.3 The forecast impact on the budget / MTFP is shown in the following table:

	2014/2015 £'000	2015/2016 £'000	2016/2017 £'000
<u>Collection Fund Transfers</u>			
Forecast Council Tax Surplus		-4,254	
Forecast Business Rates Surplus		-1,840	
<u>General Fund Grants</u>			
Section 31 Grant - Business Rate Reliefs	592		
Section 31 Grant - Council Tax Annex's	-1		
<u>Remove MTFP Assumptions</u>			
Council Tax Surplus in MTFP		806	
NNDR Appeals Spreading in MTFP		-324	
Total	591	-5,612	0

7.4 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.

8. 2015/2016 – 2017/2018 Service Adjustment for Green Waste Collection

8.1 Cabinet will recall that approval was given to defer charging for green waste collections and introduce a plastic and cardboard collection service to achieve a financial saving between 2013 and 2015.

8.2 In order to contribute towards the further financial savings that need to be made between 2015 and 2017 it has been identified that an additional financial saving could be made that would enable charging for green waste collections to continue to be deferred. It is proposed to change the current fortnightly Green Waste collection from a Saturday/Monday and introduce a 3 weekly collection service for Green Waste taking place only on a Monday, including Bank Holidays, over a three week cycle for 39 weeks of the year, commencing in March 2015. This would be achieved by altering the work patterns of existing refuse collection staff and spreading the Green Waste collection service over a three weekly schedule to allow the bins to be emptied without the need for additional staffing or vehicle resource.

8.3 The reduced frequency of collections will still result in a sustainable service being provided, will only utilise current resources and will still offer Sefton residents with an opportunity to dispose of their garden waste free-of-charge collection. It is anticipated that this arrangement will negate any significant reduction in green waste tonnage and will therefore help the Council to continue to achieve an acceptable recycling rate whilst

providing a more sustainable base to work towards the future 50% recycling rate by 2020.

- 8.4 Households that produce, and are able to store an additional wheelie-bin, will be provided with the opportunity to obtain one as this will also contribute towards the recycling rate, maximise the amount of green waste collected and minimise any disposal of garden waste via grey 'residual waste' wheelie-bins.

- 8.5 As the current waste collection calendar indicates that fortnightly collections of green waste will recommence in February 2015 it is necessary to re-calendar households to inform them of the change to 3-weekly collections of green wheelie-bins and to provide them with the dates on which these collections will be made at the start of the 2015 collection period. To achieve a full financial year benefit from this change in operational procedure, it cannot wait to be considered by full Council in January 2015 and requires steps to be taken immediately for households to be advised in sufficient time of the change and to facilitate implementation in March 2015.