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| **Report to:** | Cabinet<br>Council | **Date of Meeting:** | 10 October 2013<br>21 November 2013 |

**Subject:** 2013/2014 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

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**Purpose/Summary**

To inform Cabinet Members of the progress in achievement of the approved savings for 2013-2015, an update on the collection rates for Council tax and Business Rates and a financial overview of the 2013/14 capital programme.

**Recommendation(s)**

Cabinet is recommended to: -

i) Note the progress to date on the achievement of approved savings for 2013-2015;
ii) Note the potential impact on earmarked reserves in 2013/14 should other savings not be achieved, elsewhere in the budget, to bridge the current budget gap;
iii) Note the current position on collection rates of Council Tax and NNDR;
iv) Agree that following consultation with Parish Councils, the Double Rating saving proposals for 2014/15 should proceed as planned.
v) Recommend to Council the increase in the REECH capital programme expenditure of £5m offset by £5m income.

Council is recommended to approve the increase in the REECH capital programme expenditure of £5m offset by £5m income.

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

| Corporate Objective | | 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 facilitate the achievement of the savings targets for 2014/2015.

To allow the Council to accept an increase in the REECH project subject to 100% funding.

**What will it cost and how will it be financed?**

**(A) Revenue Costs**
Any under-achievement of the agreed savings for 2013/14 will need to be financed from within any under-spending identified within other areas of the 2013/14 and 2014/15 budgets, or from the Council's earmarked reserves. Any usage of reserves will reduce the amount available to support the phased introduction of savings in future years. The current position indicates that c.£2.1m of reserves would be required to balance the budget for the identified red marked items..

**(B) Capital Costs**
The increase in the REECH capital project will be fully funded by grant.

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

| | | |
|---|---|---|
| **Legal** | There are no legal implications arising from 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 (FD2582/13) and Head of Corporate Legal Services (LD1887/13) 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**
(i) to (iv) - Immediately following the call-in period following the publication of the Cabinet Minutes (v) - Following the Council meeting.


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**Background Papers:**

None

## 1. **Introduction**

1.1 The Council approved a two year financial plan for 2013 to 2015 which requires a large change programme of £50.8m to be implemented over this and the coming year. Throughout 2013 the national economic position retains the pressures on the public sector to continue delivering budget cuts and there is no indication that this position will change throughout the Comprehensive Spending Review period to 2017. It is important therefore that the Council continue to make the planned progress of the financial plan in order to prepare itself for future years' financial challenges.

1.2 In order for the Council to remain within its financial budget, it is essential that as much of the identified saving areas are actually achieved in the appropriate years for 2013/14 & 2014/15.

1.3 The majority of the Council's funding is from government grants, Council Tax and Business Rates. Since April 2013 the Council have responsibility for the Council Tax Reduction Scheme and changes in the level of claimants and Tax collection rates are met by the Council and its major precepting bodies. In the past this financial risk was the responsibility of the Government. The Council bears the financial impact in 49% of any variation in the collection of Business Rates from April 2013. This report outlines the current position regarding these two key income streams as variation against budget will affect the Council's balances at the year end. .

1.4 The capital programme approved by Council is an important means by which the Council invests in the provision of services and supports its key priorities. This report contains an financial overview of the progress of these projects and identifies the opportunity to make further investment in the REECH programme which is grant funded and delivers energy efficiency to domestic and commercial properties across Merseyside. Sefton Council is the lead and accountable body for this Merseyside project.

## 2 **Approved savings for 2013-2014 – Current position**

2.1 The table at **Annex 1** identifies the current position of the agreed savings for 2013-2014. 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 2013 of the achievement of savings is, in summary, that whilst £23.7m of the required £28.5m have been delivered or are on plan, £2.7m are at some risk of not being fully achieved and a further £2.1m are unlikely to be achieved in 2013/14.. This position is very similar to the end of July position reported to the last Cabinet meeting in September.

The two year plan identified a further £22m savings to be realised in 2014/15. These changes require implementation to be underway already where there are changes to major processes, contracts and where public consultation is important to ensure that equality impact and the mitigation and management of risk are inherent. Progress is being made to deliver those savings and to-date £0.3m of the 2014/15 savings have been actioned. This and any further early achievement of the 2014/15 phasing of the plan will be used to offset the shortfalls in other areas. Any net under-achievement will need to be a first call on the Council's reserves.

Whilst the Council could call upon reserves in 2013/14 to finance a shortfall of this magnitude the utilisation of these resources will reduce the Council's ability to phase in savings in future years.

## 3 <u>Council Tax Collection Update</u>

3.1 The introduction of changes to the Council Tax and NNDR schemes for 2013/14 means the collection of income is even more important to local authorities. The following paragraphs provide an update of the position for Sefton as at the end of August.

3.2 The Council budget is based on Council tax receipts for 2013/14 of £96.9m. This assumes collection rates of 98% and that the Council Tax base is adjusted for the Council tax reduction scheme which replaced Council Tax benefit in April 2013. The Council Tax Reduction Scheme was estimated to cost the Council £25.8m in 2013/14. This cost was partially offset by an increase in government grant which in future years will be rolled into the main grant figure and will no longer be separately identifiable.

3.3 The key risks relating to the collection of Council tax are the overall income collection rate and the level of householders applying for Council tax Reduction which is means tested. All working age householders are required to pay at least 20% of the Council tax for their home and this means that over 17,000 households are now paying an element of the Council tax for the first time. The collection rates for these first time payers are being very closely monitored as it represents a significant financial risk to the Council achieving its budget. (There was a requirement to protect pensioners under the Council Tax Reduction Scheme which means that those attracting full benefit continue to pay no Council Tax contribution.)

3.4 The Council Tax Reduction Scheme budget assumed a growth in claimants of £0.4m and an estimated provision for doubtful debt of £0.8m was allowed for. The scheme monitoring to end August has identified that whilst the value of the claims is £0.8m below the estimate, the collection rate has decreased by £0.4m, requiring a greater provision for doubtful debt. The scheme also included technical changes to the Council tax relating to empty properties and these are currently forecast to exceed budgeted income by £0. 2m

3.5 Over all the net Council Tax Reduction Scheme is forecasting a favourable outturn position of £0.6m. Members are requested to be cautious as the position relating to the new payers is a frequently changing position and will be very sensitive to local economic demands on families and householders who are also affected by Welfare Reform changes. Details of the working age CTRS cases are given below.

Collection Against Working Age CTRS Cases: -

| | Total |
|---|---|
| Liability Raised | £4,482,931 |
| Amount Paid | £1,456,377 |
| Percentage Collected | 32.49% |

Summary of Working Age Claimants at 31.08.2013

| | |
|---|---|
| Number of affected cases | **17,182** |
| Paying by direct debit - total | 3,361 |
| Paying by direct debit over 12 months | 1,085 |
| Paying by cash/cheque over 12 months | 1,398 |
| Instalments not yet due (includes some direct debit accounts) | 1,343 |
| Accounts with payments made since annual bills issued | 11,695 |
| Accounts with instalments overdue and no payments made | 4,144 |

**3.6 Business Rate Collection**

In addition to information on Council Tax, this report also gives an update on the collection of Business Rates. This income to the Council is a key financial risk and early indications show that the Council may not achieve its budgeted level of Business Rates due to the revaluation of some properties since April 2013 and also the level of doubtful debt on some liabilities. The Council, from April 2013 bears 49% of the loss of Business Rate receipts. The Fire Authority bears 1%, with the remainder being funded by Government.

The Council's budget is based on 49% of total receipts of £65.545m, i.e. £32.1m

The forecast position for NNDR collection, as at August 2013 is shown below. The Council is projected to under achieve this budget by 49% of £1.506m, i.e. £0.738m. The budget shortfall is due to higher than anticipated mandatory relief being given. The level of mandatory reliefs is anticipated to increase further during the remainder of the financial year.

| Business Rates Income | Budget | Forecast | Variation |
|---|---|---|---|
| | £000 | £000 | £000 |
| Gross Charge | -83,811 | -83,405 | 406 |
| Mandatory Relief: Small Business | 4,781 | 5,126 | 345 |
| Mandatory Relief: Charities | 4,254 | 4,385 | 131 |
| Mandatory Relief: Empty Premises | 3,878 | 4,493 | 615 |
| Mandatory Relief: Sports & Rural | 34 | 39 | 5 |
| Discretionary Reliefs | 283 | 287 | 4 |
| | -70,581 | -69,075 | 1,506 |
| Previous Year Adjustments | | | |
| Gross Rates Payable | n/a | 1,670 | 1,670 |
| Reliefs | n/a | -866 | -866 |
| | n/a | 804 | 804 |
| Provisions & Allowances | | | |
| Bad Debt Provision | 1,143 | 1,143 | 0 |
| Cost of Collection Allowance | 322 | 322 | 0 |
| Cost of Appeals Provision | 3,571 | 2,767 | -804 |
| | 5,036 | 4,232 | -804 |
| **Net Rate Yield** | **-65,545** | **-64,039** | **1,506** |

## 4 Consultation with Parishes on Double Rating budget savings

4.1 Cabinet will recall the approval of saving options surrounding Double Rating payments to Maghull, Lydiate, Aintree and Melling Parish Councils. Over recent weeks, a series of consultation meetings have taken place between Council officers and the Parishes.

4.2 The parishes highlighted some of the implications of the budget reductions would have in their area. These included the reduction in number of hired football pitches, bowling greens, hanging baskets and frequency of grass cutting. Also, the potential closure of multi-use games areas, review of grant funding for local organisations and a possible increase in the parish precept to counteract the double rating implications.

4.3 It is acknowledged that these potential actions would have a local impact on those parish areas. However, the Council would need to consider the impact on its own services, if alternative saving options were required. The expectation is that the overall impact to Sefton's residents would be greater. Consequently, it is recommended that the Double Rating savings are implemented as planned.

4.4. Some of the Parishes asked whether the contribution made by Sefton to the costs of the Council Tax Reduction Scheme would continue in 2014/15, as it has in this financial year. The Cabinet will be considering the 2014/15 Council Tax Reduction Scheme later in the year for recommendation to Council in January 2014.

## 5 Capital Programme

a) Update

Forecast capital expenditure for the 2013/14 financial year is currently £51.8m. The major areas of spend are:

Transportation £11.8m, which includes the Thornton to Switch Island Link Rd (£6.3m); Children's Services £11.6m, including Birkdale Primary additional accommodation (£1.3m);

Street Scene £8.1m, including King's Gardens Improvements (£4.6m) and Economy & Tourism £6.4m which includes the existing REECH scheme (£2.9M).

Some schemes may incur more expenditure in the second half of the year, particularly the Thornton to Switch Island Link Road (£6.3m) and some schemes are more likely to be rephased 2014/15 e.g. Schools' Devolved Formula Capital (£1.6m), Rowan Park classroom extensions (£0.3m), Kew Woods Primary School Nursery & ICT suite (£0.5m), and King's Gardens Improvement scheme (£4.6m).

Expenditure in excess of £9.5m has been incurred and all schemes' expenditure forecasts are currently being examined which will lead to expenditure on some schemes being rephased into 2014/15 which will be reflected in the monthly monitoring statements.

The Capital Investment Strategy Group consider capital monitoring reports at the meetings and individual project delivery is challenged through this Group.

b) REECH Project - Extension

The Council is the accountable body for the Merseyside REECH scheme supported by the LEP. The Council has been invited to apply for an extension of the funding to support the 'REECH into Business' scheme. This project focuses on the retrofitting of low carbon energy solutions in business premises with the aim of making those businesses more competitive by controlling their costs and making them more energy, water and waste efficient, as well as ensuring that they undertake climate change adaptation and mitigation measures. The installation of electric charging points, and purchasing electric vehicles will also be explored. It has been agreed by the Liverpool City Region LEP that this will be an extension to the existing REECH project.

This extension will have net nil financial implications on Council's core budgets and will not require a call on Economic Regeneration reserves. This is because the additional costs (Capital and Revenue) which are estimated at up to £5 million are being fully met from a combination of ERDF grant (50% contribution) and funding from our delivery partners which include Merseytravel, other Local Authorities and the Groundwork Trust. The capital element is estimated to be in the region of up to £3.8m with revenue costs forecast at up to £1.2m. The final agreed cost of the extension will not be known until DCLG agree the amendments to the existing project. Council is requested to increase the capital programme to allow the extension of the REECH programme.