

**Report to:** Cabinet

**Date of Meeting:** 7 November 2013

**Subject:** 2013/14 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 and a forecast on Council Tax and Business Rates collection.

### **Recommendation(s)**

Cabinet is recommended to: -

- i) Note the progress to date on the achievement of approved savings for 2013-2015;
- ii) Delegate authority to the Cabinet Member for Older People and Health regarding the level of discretion applied and application of the Elderly Non-residential Services Subsidies saving option;
- iii) 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; and
- iv) Note the forecast position on collection rates of Council Tax and Business Rates.

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

	<b><u>Corporate Objective</u></b>	<b><u>Positive Impact</u></b>	<b><u>Neutral Impact</u></b>	<b><u>Negative Impact</u></b>
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 2014/15. To ensure the effective implementation of the Elderly Non-residential Services Subsidies saving option. To provide an update on the forecast outturn position on collection of Council Tax and Business Rates.

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

### (A) Revenue Costs

Any under-achievement of the agreed revenue 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 about £2m of reserves would be required to balance the budget for the identified red marked items.

### (B) Capital Costs

There are no variations to the overall cost of the Capital Programme.

### Implications:

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

#### Legal

By Section 13A of The Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012) the Council is required to implement a local Council Tax Reduction Scheme.

#### 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 on Service Delivery:

None.

### What consultations have taken place on the proposals and when?

The Head of Corporate Finance & ICT (FD2625/13) and Head of Corporate Legal Services (LD1930/13) 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

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 2013 to 2015 which requires a large change programme of £50.8m to be implemented over this and the coming year. The Government has indicated that fiscal restraint will continue over the coming years and that the financial pressures on the public sector will continue throughout the Comprehensive Spending Review period to 2017/2018 and beyond. It is important therefore that the Council continue to make the planned progress of the financial plan in order to prepare 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 and 2014/15.
- 1.3 The report also outlines the current position regarding two 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 2013/14 – Current position**

- 2.1 The table at **Annex 1** identifies the current position of the agreed savings for 2013/14. 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 September 2013 for the achievement of savings is that £24.3m of the required £28.5m have been delivered or are on plan, £2.3m are at some risk of not being fully achieved and a further £2.0m are unlikely to be achieved in 2013/14.
- 2.3 The Elderly Non-Residential Services Subsidies saving option (D1.38) was approved subject to ongoing consultation; this consultation closed on the 17 May 2013. As part of the public sector equality duty an equality impact assessment was completed to assess the impact of the changes to the Fairer Charging Policy against the protected characteristics of existing service users. As a result of this process, it is now planned to implement the changes to policy and existing service user charges with effect from 6 January 2014. As outlined to Council, discretion will be applied where individual charges increase and the primary focus of the discretion will depend on the scale of the individual increase. The Financial Assessment Team will work with individual clients on transition arrangements to implement the changes.

Cabinet is asked to delegate authority to the Cabinet Member for Older People and Health regarding the level of discretion applied and its application, whilst ensuring that the scheme remains within budget.

- 2.4 The two year plan identifies a further £22m of savings to be realised in 2014/15. These changes require implementation to already be underway 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. To-date, £0.09m of the 2014/15 savings have been implemented and will achieve savings in 2013/14. This and any further early achievement of the 2014/15 phasing of the plan will be used to offset the shortfalls in other areas.
- 2.5 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 Other Budget Risks**

- 3.1 The saving options considered above indicate a potential budget shortfall in the order of £2m for 2013/14. However, there are a number of financial risks that the Council is currently facing in the remainder of the Authority's budget. These risk areas include pressures on the Specialist Transport Unit, Vulnerable Children and Young People and within the Admin Buildings budget. Details of the pressures, and areas of potential underspending, will be reported in more detail to the next meeting of Cabinet on 5 December 2013.

### **4 Council Tax Income - Update**

- 4.1 Council Tax has for more than two decades been a stable source of income for local authorities. However, the introduction of local council tax reduction schemes and other technical changes to exemptions and discounts in 2013/14 has increased the risk of volatility in this income stream. This means the monitoring of Council Tax income is even more important to local authorities than in previous years.
- 4.2 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 £97.776m for 2013/14 (including Parish Precepts), which represents 85.2% of the net Council Tax income of £114.787m. The forecast position for total Council Tax income, as at the end of September 2013 is shown below:

Total Council Tax Income	<u>2013/14 Budget</u>	<u>2013/14 Forecast</u>	<u>Surplus (-) / Deficit</u>
	£000	£000	£000
<b>Total Council Tax Income</b>	<b>-114,787</b>	<b>-115,352</b>	<b>-565</b>

- 4.3 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. In addition, the required doubtful debt provision is currently

estimated to be below the original budget level; this is still subject to a large degree of uncertainty as a result of potential non-payment by working age CTRS claimants. However, the level of non-payment is being carefully monitored on an ongoing basis.

- 4.4 Due to the Collection Fund regulations, the Council Tax surplus will not be transferred to the General Fund in 2013/14 but will be carried forward to be distributed in 2014/15. The table below therefore shows a comparison against the 2014/15 budget:

Share of Council Tax Surplus (-) / Deficit	%	<u>2014/15 Budget</u> £000	<u>2014/15 Forecast</u> £000	<u>Variation 2014/15</u> £000
Sefton Council	85.2	855	-482	-1,337
Police and Crime Commissioner	10.2	102	-58	-160
Fire & Rescue Authority	4.6	46	-26	-72
<b>Total</b>	<b>100</b>	<b>1,003</b>	<b>-565</b>	<b>-1,568</b>

## **5 Council Tax Reduction Scheme – Background Data**

- 5.1 The introduction of local Council Tax Reduction Schemes which replaced Council Tax Benefit in April 2013, means the monitoring of Council Tax income is even more important to local authorities in 2013/14. The following paragraphs provide an update of the position for Sefton as at the end of September 2013.
- 5.2 Overall the net Council Tax Reduction Scheme is forecasting a favourable outturn position of £0.9m. Members are requested to treat the figures with caution as the position relating to the new payers is frequently changing and is 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: -

	<u>August</u>	<u>September</u>
	<u>Total</u>	<u>Total</u>
Liability Raised	£4,482,931	£4,561,972
Amount Paid	£1,456,377	£1,811,113
Percentage Collected	32.5%	39.7%

### Summary of Working Age Claimants

	<b>August</b>	<b>September</b>
Number of affected cases	<b>17,182</b>	<b>17,150</b>
Instalments not yet due (includes some direct debit accounts)	1,343	1,171
Accounts with payments made since annual bills issued	11,695	12,127
Accounts with instalments overdue and no payments made	4,144	3,852

Analysis of Accounts with payments made:		
Paying by direct debit over 10 months	2,276	2,238
Paying by direct debit over 12 months	1,085	1,149
Paying by cash/cheque over 12 months	1,398	1,465
Paying by cash/cheque over 10 months	6,936	7,275

## 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 2013/14 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 2013/14 Revenue Budget assumes that the Council will retain 49% of total forecast Business Rate receipts of £65.545m, i.e. £32.117m. The forecast position for Business Rates income, as at the end of September 2013 is shown in the table below:

Business Rates Income	<u>2013/14 Budget</u>	<u>2013/14 Forecast</u>	<u>Surplus (-) / Deficit</u> £000
	£000	£000	
<b>Net Rate Yield</b>	<b>-65,545</b>	<b>-62,505</b>	<b>3,040</b>

- 6.4 The forecast assumes that the cost of appeals during the year can be met from the budget; however, an additional provision of £0.661m will need to be made at the year-end in respect of appeals that were transferred from the National Pool at the start of the year. The cost of appeals provision is subject to significant uncertainty due to the unpredictable timing and value of appeal settlements.
- 6.5 Due to the Collection Fund regulations the Business Rates deficit will not be charged to the General Fund in 2013/14 but will be carried forward to be recovered in 2014/15. The table below therefore shows a comparison against the 2014/15 budget:

Share of Business Rates Surplus (-) / Deficit	%	<u>2014/15 Budget</u> £000	<u>2014/15 Forecast</u> £000	<u>Variation 2014/15</u> £000
Central Government	50	0	1,520	1,520
Sefton Council	49	0	1,490	1,490
Fire & Rescue Authority	1	0	30	30
<b>Total</b>	<b>100</b>	<b>0</b>	<b>3,040</b>	<b>3,040</b>

## **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 latest financial position of this Fund for 2013/14 shows a forecast net shortfall (for Sefton) of £0.153m, i.e. an additional £1.337m income from Council Tax and reduced income of £1.490m from Business Rates.**
- 7.2 As mentioned above, due to national accounting treatment, this shortfall does not impact on the current financial year; it will be recovered as part of the setting the budget for 2014/15, i.e. it would add to the budget gap for that year.**
- 7.3 The level of income from these two sources is significantly more volatile than in the past. The introduction of the Council Tax Reduction Scheme and particularly the new arrangements for Business Rates mean that forecasting income for the Council from the Collection Fund - for inclusion in the Budget - is much more difficult.**
- 7.4 A report is to be presented to Cabinet in December 2013 updating the position on the Medium Term Financial Plan for 2014/15 – 2016/17, which will include assumptions on receipts from the Collection Fund.**