

Report to: Cabinet

Date of Meeting: 16 January 2014

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

Purpose/Summary

To inform Cabinet Members of the progress in achievement of the approved savings for 2013/2014 and other risks within the 2013/2014 budget. In addition, a forecast on Council Tax and Business Rates collection is also provided.

Recommendation(s)

Cabinet is recommended to note: -

- i) The progress to date on the achievement of approved savings for 2013/2014;
- ii) The potential impact on Council general balances in 2013/2014 should other savings not be achieved, elsewhere in the budget, to bridge the current budget gap;
- iii) The wider budget pressures being experienced in the remainder of the Budget; and
- iv) The forecast position on collection rates of Council Tax and Business Rates;

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 facilitate the achievement of the savings targets for 2014/2015. To identify wider budget pressures being experienced elsewhere in the Budget. 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 2013/2014 will need to be financed from within any under-spending identified within other areas of the 2013/2014 and 2014/2015 budgets, 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 position indicates that about £1.75m of general balances would be required to support the budget for the identified red marked items. The wider budget pressures being experienced elsewhere in the budget are to some extent matched by savings in other areas. The net overall budget pressures total some £2.16m.

(B) Capital Costs

None

Implications:

The implications of these proposals 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 (FD2744/14) and Head of Corporate Legal Services (LD2050/14) 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

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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 this and the coming year. The recent provisional Government grant settlement (discussed elsewhere on the agenda) has confirmed that reduced funding of local authorities will continue, with further significant savings being required for 2015/2016 and 2016/2017. 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 2013/2014 and 2014/2015. The remainder of the Council's budget is experiencing a number of budget forecast variations; these are discussed further in the report.
- 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 2013/2014 – 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 November 2013 for the achievement of savings is that £24.8m of the required £28.6m have been delivered or are on plan, £2.0m are at some risk of not being fully achieved and a further £1.75m are unlikely to be achieved in 2013/2014 (identified as "Red"). Two of the more significant variations compared to October are as follows: -
 - Supporting People £0.25m from Red to Green
The budget for 2012/13 included an in principle reduction of £3m to be delivered over 2 years. Following the review of housing related support (older people and excluded groups) and a review of closely aligned care and support services (including Supported Living and Shared Lives) the anticipated shortfall in the

saving is now £1.25m, a reduction of £0.25m on the figure reported in October. This improvement is due to the ongoing work in relation to this saving.

- Recover surplus / unspent direct payment funds £0.10m from Amber to Blue
This improvement is due to further sums being recovered as a result of continued reviews.

2.3 Any net under-achievement will need to be a first call on the Council's general balances. Whilst the Council could call upon balances in 2013/2014 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 reduction in the potential budget shortfall ("Red items"), with an amended gap of some £1.75m for 2013/2014. However as part of the regular budget management of the remainder of the Council's budget, a number of other financial risks have been identified. As at the end of November, these risk areas currently amount to approximately £410k; further information on the main variations compared to the October figure (£572k) are provided below: -

3.2 **Young People & Families** – Whilst there have been further challenges for expenditure in some areas, the overall net underspending has increased by some £60k. This is due to a variety of issues, however key reasons include the voluntary redundancy of one staff member, plus a reduction in the number of vulnerable children care placements.

3.3 **Specialist Transport Unit** –The forecast year-end budget variation for the service remains unchanged at £1.6m. An exercise is nearing completion to analyse the total cost of providing transport to Adult Social Care and Children's Services. This is being done on a route by route basis in order to gain a better understanding of the component parts of current spend. In addition, mileage details for each client group are being analysed in order to facilitate a more accurate basis for assigning costs to each commissioning Department. The next phase will be for commissioners to review their spending commitments, thereby enabling better informed judgements on the most cost effective ways of delivering agreed levels of service in future.

3.4 **Investment Programmes and Infrastructure** – There has been an over-achievement of income of some £195k. This is due to a one-off receipt from United Utilities for outstanding defects on work they undertook. These payments had been in dispute, but the issue has now been resolved.

3.5 **Landscape Services** – Additional income in excess of the budget forecast has been received in cemeteries and crematoria (£33k).

3.6 A number of other variations have occurred during the month totalling some £126k.

4 Overall Forecast Revenue Position 2013/2014

- 4.1 The overall forecast revenue position is that there will be a budget shortfall of some £2.16m (i.e. £1.75m from the “Red – Unlikely to be achieved” category of budget savings, plus a further £0.41m from other areas of budget risk.
- 4.2 Should the overall net overspend position (£2.16m) not be reduced by the end of the financial year, then the Council will need to draw on its balances to meet this additional cost

5 Council Tax Income – Update

- 5.1 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 2013/2014 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.
- 5.2 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 2013/2014 (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 November 2013 is shown below:

	2013/2014 Budget £'000	2013/2014 Forecast £'000	Surplus(-) / Deficit £'000
Total Council Tax Income	-114,787	-115,763	-976

- 5.3 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 slightly 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. The surplus reflects an improvement on the position as at the end of October (-£356k). The largest changes include a reduction in the value of CTRS discounts (-£70k) and lower growth than forecast in exemptions and other discounts (-£82k). However, the largest variation (-£175k) has been the removal of the forecast growth in CTRS discounts for December to March. Given that the value of CTRS discounts is actually falling, it was felt appropriate to remove the provision for “growth” for the remainder of the year. The level of non-payment is also being carefully monitored on an ongoing basis.

5.4 Due to the Collection Fund regulations, the Council Tax surplus will not be transferred to the General Fund in 2013/2014 but will be carried forward to be distributed in 2014/2015. The table below therefore shows a comparison against the 2014/2015 budget:

Share of Council Tax Surplus (-) / Deficit	%	2014/2015 Budget £'000	2014/2015 Forecast £'000	2014/2015 Variation £'000
Sefton Council	85.2	855	-831	-1,686
Police & Crime Commissioner	10.2	102	-100	-202
Fire & Rescue Authority	4.6	46	-45	-91
Total	100	1,003	-976	-1,979

6 Council Tax Reduction Scheme – Background Data

6.1 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 2013/2014. The following paragraphs provide an update of the position for Sefton as at the end of November 2013.

6.2 Overall the net Council Tax Reduction Scheme is forecasting a favourable outturn position of £1.2m; a £0.2m improvement on the October position. This reflects to unwinding of the growth in CTRS discounts referred to in paragraph 5.3.

6.3 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: -

	November Total
Liability Raised	£4,104,622
Amount Paid	£2,061,976
Percentage Collected	50.3%

Summary of Working Age Claimants

	November
Number of affected cases	16,358
Instalments not yet due (includes some direct debit accounts)	801
Accounts with payments made since annual bills issued	12,271

Accounts with instalments overdue and no payments made	3,286
Analysis of Accounts with payments made	
Paying by direct debit over 10 months	2,034
Paying by direct debit over 12 months	1,158
Paying by cash/cheque over 10 months	7,581
Paying by cash/cheque over 12 months	1,498

7 Business Rates Income – Update

7.1 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.

7.2 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.

7.3 The forecast position for Business Rates income, as at the end of November 2013 is shown in the table below:

Business Rates Income	2013/2014 Budget £'000	2013/2014 Forecast £'000	Surplus (-) / Deficit £'000
Net Rate Yield	-65,545	-63,014	2,531

7.4 The forecast identifies a slight improvement compared to the October position of some £0.182m. It also assumes that the cost of appeals during the year can be met from the budget; with an additional provision of £0.661m needed 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.

7.5 Due to the Collection Fund regulations the Business Rates deficit will not be charged to the General Fund in 2013/2014 but will be carried forward to be recovered in 2014/2015. The table below therefore shows a comparison against the 2014/2015 budget:

Share of Business Rates Surplus (-) / Deficit	%	2014/2015 Budget £'000	2014/2015 Forecast £'000	2014/2015 Variation £'000
Central Government	50	0	1,266	1,266
Sefton Council	49	0	1,240	1,240
Fire & Rescue Authority	1	0	25	25
Total	100	0	2,531	2,531

8 Council Tax / Business Rates Income – Summary

- 8.1 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 budgeted overall net financial position for these items in 2013/2014 shows a net deficit (for Sefton) of £0.855m. The forecast position as at the end of November shows an additional £0.831m income from Council Tax and reduced income of £1.240m from Business Rates (a net deficit of £0.409m) i.e. a favourable increase in net income of £0.446m compared to the budget.
- 8.2 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 2014/2015, i.e. it would add to the budget gap for that year.
- 8.3 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.