

**Report to:** Cabinet

**Date of Meeting:** 11 September 2014

**Subject:** 2014/2015 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 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; and
- iii) The forecast on Council Tax and Business Rates collection.

### **Recommendation(s)**

Cabinet is recommended to note:-

- 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; and
- iii) The forecast position on the collection of Council Tax and Business Rates.

Cabinet is recommended to agree:-

- v) Agree to extend the existing Homeless and Housing Related Support contracts, referred to in this report to 30 June 2015, to provide continuity of service until the 2015/17 two year financial plan has been considered by Council.

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

<b><u>Corporate Objective</u></b>		<b>Positive Impact</b>	<b>Neutral Impact</b>	<b>Negative Impact</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 identify wider budget pressures being experienced elsewhere in the budget. To provide an update on the forecast the outturn position on the collection of Council Tax and Business Rates.

A short extension to the existing contracts is recommended to avoid problems for vulnerable service users associated with the potential transition from old to new provision over the Christmas shutdown and Bank Holiday period. The retendering of services will be deferred until the 2015/17 two year financial plan has been considered by Council.

## **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 £1.170m 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 July, other significant variations in the remainder of the Council's Budget total some £0.516m. Hence the net overall budget pressures currently identified total £1.686m.

### **(B) Capital Costs**

**Implications:** None

**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**

- |   |                                     |
|---|-------------------------------------|
| 1.1 No Equality Implication                         | <input checked="" type="checkbox"/> |
| 2.1 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 (FD 3141/14) and the Head of Corporate Legal Services (LD2433/14) 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 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 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 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 July 2014 for the achievement of savings for is that £22.835m of the total required savings in 2014/2015 £28.840m (for the current year and carry-forward items) have been delivered or are on plan; with £4.845m are at some risk of not being fully achieved. This leave a further £1.170m of savings that are unlikely to be achieved (identified as "Red"), an improvement compared to the previously reported position at the end of May
- 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 £0.516m, resulting in an overall forecast deficit in the Council's 2014/2015 Budget of £1.686m. The main areas of variation to the general budget are noted below: -

3.1.1 As reported to the July Cabinet, Specialist Transport (STU) is continuing to overspend; the latest forecast is that the additional expenditure required will total £2.275m. Work is continuing on the review of registration of services and associated links to demand / cost, in order to understand the longer term implications for the Council. 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 a net overspend of £0.607m. This is due to various pressures including Adoption Allowances, preventative and support budgets, placement care packages and special guardianships orders. There are however underspending in other areas, notably Early Intervention & Prevention and Leaving Care placements (£0.695m). The net forecast, excluding the STU, is an underspend of £0.088m.

3.1.3 The Adult Social Care budget is showing a £2.260m underspend on Community Care costs. This will help support the achievement of the agreed 2014/15 saving on Day Care.

3.1.4 The Admin Buildings budget is forecast to overspend by £0.774m. This is due to additional costs for Magdalene & Merton House (following rent reviews), additional maintenance costs on properties earmarked for redevelopment / sale and reduced income from Council rental properties.

3.1.5 The Council's net debt charge budget is showing an underspend of £0.342m arising principally due 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 July 2014 is shown below:

<b>2013/2014</b>	<b>Budget £'000</b>	<b>Forecast £'000</b>	<b>Surplus(-) £'000</b>
<b>Total Council Tax Income</b>	<b>-117,791</b>	<b>-121,126</b>	<b>-3,335</b>

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 (subject to audit). 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:

<b>Share of Council Tax Surplus (-) / Deficit to be distributed in 2015/2016</b>	<b>%</b>	<b>2013/14 Carried Forward £'000</b>	<b>2014/15 Forecast (31/07/14) £'000</b>	<b>Total £'000</b>
Sefton Council	85.2	-1,233	-2,841	-4,074
Police & Crime Commissioner	10.2	-148	-342	-490
Fire & Rescue Authority	4.6	-67	-152	-219
<b>Total</b>	<b>100</b>	<b>-1,488</b>	<b>-3,335</b>	<b>-4,783</b>

## **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 July 2014.

5.2 Overall the net CTRS is forecasting a favourable outturn position of £2.5m. 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: -

<b>Number of CTRS Claimants</b>	<b>31/07/13</b>	<b>03/04/14</b>	<b>01/08/14</b>
Working Age - Employed	3,114	2,874	2,838
Working Age - Other	13,618	13,151	12,877
<b>Working Age - Total</b>	<b>16,732</b>	<b>16,025</b>	<b>15,715</b>
Pensioners	15,001	14,655	14,448
<b>Total</b>	<b>31,733</b>	<b>30,680</b>	<b>30,163</b>

<b>Council Tax Collection CTRS Claimants 2014/2015</b> (Data at 06/08/14)	<b>Liability Raised</b> £000	<b>Income Received</b>	
		£000	%
Working Age - Employed	1,409	385	27.3
Working Age - Other	2,513	720	28.7
<b>Working Age - Total</b>	<b>3,922</b>	<b>1,105</b>	<b>28.2</b>
Pensioners	1,907	881	46.2
<b>Total</b>	<b>5,829</b>	<b>1,986</b>	<b>34.1</b>

<b>Council Tax Collection CTRS Claimants 2013/2014</b> (Data at 06/08/14)	<b>Liability Raised</b> £000	<b>Income Received</b>	
		£000	%
Working Age - Employed	1,472	1,190	80.9
Working Age - Other	2,734	2,080	76.1
<b>Working Age - Total</b>	<b>4,206</b>	<b>3,270</b>	<b>77.8</b>
Pensioners	2,043	2,035	99.6
<b>Total</b>	<b>6,249</b>	<b>5,305</b>	<b>84.9</b>

## **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 July 2014 is shown in the table below:

<b>Business Rates 2014/2015</b>	<b>Budget £'000</b>	<b>Forecast £'000</b>	<b>Variation £'000</b>
Business Rate Yield (Net)	-61,890	-63,715	-1,825
Section 31 Grants – Rate Reliefs etc	-2,787	-2,130	657

6.4 The forecast identifies a surplus compared to the budget position. The main reason for this is an increase in gross rates charges compared to a forecast reduction and lower than forecast 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 £3,048k 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 business rates deficit on the Collection Fund was £1.492m lower than January estimate. This variation will be carried forward to be distributed in 2015/2016.

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

Share of Business Rates Surplus (-) / Deficit	%	2013/14 Carried Forward £'000	2014/15 Forecast (31/07/14) £'000	Total £'000
Central Government	50	-746	-913	-1,659
Sefton Council	49	-731	-894	-1,625
Fire & Rescue Authority	1	-15	-18	-33
<b>Total</b>	<b>100</b>	<b>-1,492</b>	<b>-1,825</b>	<b>-3,317</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 forecast position as at the end of January shows additional income of £4.074m from Council Tax and additional income of £1.625m 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:

	2014/15 £'000	2015/16 £'000	2016/17 £'000
<u>Collection Fund Transfers</u>			
Forecast Council Tax Surplus		-4,074	
Forecast Business Rates Surplus		-1,625	
<u>General Fund Grants</u>			
Section 31 Grant - Business Rate Reliefs	657		
Section 31 Grant - Council Tax Annex's	-13		
<u>Remove MTFP Assumptions</u>			
Council Tax Surplus in MTFP		806	



NNDR Appeals Spreading in MTFP		-324	
<b>Total</b>	644	-5,217	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. 2014/15 NHS England funding transfer.

8.1 An update on the use of NHS resources, as part of the funding transfer to Sefton, can be found elsewhere on the agenda.

## 9. Homeless Strategy

9.1. The Council currently provides a range of services that allow the Council to not only fulfil its legal duty to homeless people but also provide the preventative services that support service users to remain in their home or to move on in a planned manner. The services fall broadly into a number of headings outlined below.

9.2. Accommodation based services: these services provide accommodation for homeless service users and the support that the service user needs to achieve the outcome of independent living. These services will cater for a range of service users; some are generic (homeless people with low-level additional needs) and others are specific to a client group (e.g. high level offenders, addiction abtinent). Service users within these schemes may have been subject to a formal homeless assessment whilst the majority will not. The Council has four current contracts for this style of service, with Bosco Society, DISC Forum Housing Association and North West Property Custodians.

9.3. Floating Support services: in the main these services provide advice and support to those threatened with homelessness by attempting to resolve those issues that could result in them becoming homeless. The support is provided whilst the service user is within their home. The extent, type and level of support provided are dependent on the identified need of the service user. The current services are ordinarily targeted at specific groups rather than a generic service. Some of the organisations that currently provide floating support services also have other contacts with the Council for other services and this report does not seek approval or make recommendations regarding these other services. The Council has five current contracts for this style of service, with Bosco Society, DISC, Light for Life, Merseyside Youth Association and Venus.

9.4. Housing Advice: the Council has a legal obligation to provide free Housing Advice to residents of the Borough. Currently the majority of this formal advice is provided by in-house Council services (Housing Options Team and the Substance Misuse Single Point of Assessment Team) however the Council currently also has a Service Level Agreement with Light for Life, funded from the Homeless Prevention Grant and Neighbourhoods budgets, for the provision of Housing Advice in Southport. This service is a complementary service to the in-house services.

- 9.5. The Cabinet are requested to extend these contracts until June 2015 to allow the Council to reconsider the prioritisation of these services as part of the 2015/17 budget considerations.