
Report To:	Policy & Resources Committee	Date: 5 February 2013
Report By:	Chief Financial Officer	Report No: FIN/08/13/AP/LA
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Subject:	2013/16 Budget Update	

1.0 PURPOSE

- 1.1 The purpose of this report is to update the Policy & Resources Committee on the latest position of the 2013/16 Budget in advance of the Council considering the 2013/16 Revenue Budget, Capital Programme and Common Good Budget on 14 February 2013.

2.0 SUMMARY

- 2.1 On 20 December 2012 the Council considered and approved a report from the Chief Financial Officer in respect of the 2013/16 Budget. As a result of that approval the remaining revenue saving gap for the period 2013/16 was £4.742 million whilst the 2013/16 Capital Programme showed an approximate £1.3 million shortfall which is within acceptable parameters for a Capital Programme of that scale.
- 2.2 On 10 January 2013 an All Member Briefing took place where all Members received details of £7.08 million savings options developed by the Corporate Management Team.
- 2.3 Section 5 of the report outlines an update in respect of the 2013/16 revenue savings gap which has reduced to £4.447 million. The main reason for this reduction is a review of the inflation allowance over the 3 year period following greater clarity of the inflationary uplift for utilities and other items in 2013/14. Appendix 1 shows this in more detail.
- 2.4 Section 5 also highlights a change in the assumptions around the Council Tax base and the ultimate Council Tax collection rate after taking into account latest information and the anticipated impact of Welfare Reform.
- 2.5 A review has also taken place regarding the estimated available Free Reserves as at the 31 March 2014. Appendix 2 provides more detail and shows that the available free reserves is estimated to be approximately £7.2 million by 31st March 2014. This will increase further as Members develop their savings proposals.
- 2.6 In the current committee cycle a number of matters have been considered by Service Committees and remitted to the budget process. These are detailed in the separate report on remits from committees on the agenda.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the updated information provided in this report and factor it into the budget considerations for the Council meeting due to be held on 14 February 2013.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council received a comprehensive report from the Chief Financial Officer in respect of the 2013/16 Budget on 20 December 2012.
- 4.2 Within this report the reported revenue funding gap over 2013/16 was £4.742 million whilst the Capital Programme showed a deficit of approximately £1.3 million following the application of £2 million from the General Fund Reserves.
- 4.3 On 10 January 2013 an All Member briefing took place where all Members were provided with details of the Corporate Management Team savings options which total £7.08 million over the 3 years. By providing Members with an excess of savings options this provided flexibility in respect of the savings to be taken by Members and the option for increase spend on Policy priorities provided this was balanced by an increase in savings taken.
- 4.4 Since the December Council meeting information has been received in a number of areas which requires to be considered by Members when developing their budget proposals for the Council meeting on 14 February 2013.

5.0 UPDATED REVENUE POSITION

- 5.1 The main area of review and update in respect of the Revenue Budget has been a further review of the 3 year inflation contingency. Council policy over the last number of years has been to operate a centralised inflation contingency which is allocated out only when uplift confirmation is received from suppliers linked to formal contractual arrangements. This policy has proven extremely successful in limiting the cost of inflation on Council Budgets.
- 5.2 Information has now been received in respect of the electricity and gas uplifts for 2013/14 and on this basis officers believe it is possible to make a saving in respect of the inflation contingency for 2013/14. In addition relatively minor adjustments have been made to the inflation contingencies for 2014/15 and 2015/16 while still leaving what the Chief Financial Officer believes is an appropriate sum for these 2 years. The overall reduction in the inflation contingency over the 3 year period is £320,000.
- 5.3 The estimated Council Tax yield is based on the Band D equivalents and this has been recalculated based on the latest information. From this it is possible to make a marginal increase in the Council Tax yield from 2013/14.
- 5.4 At the same time however the Chief Financial Officer has reviewed the projected ultimate Council Tax collection rate which for the last 4 years has stood at 96.7%. The target is to meet this Council Tax yield 5 years after the year of billing. To date this level of collection has not been achieved albeit in recent years the Council has been achieving 96.0% or over by year 5 and will continue to pursue debts well after the 5 year period. It is however considered that there will be an impact on Council Tax collection rates as a result of the Welfare Reform and as such it is proposed that the Council's budgeted Council Tax collection be reduced by 0.2% to 96.5% at a cost of approximately £69,000 per year.
- 5.5 By applying all the above then the 3 year saving gap reduces from £4.742 million to £4.45 million as shown in Appendix 1.

6.0 FREE GENERAL FUND RESERVES

- 6.1 A review has taken place of the Council's Free Reserves following the latest 2012/13 projected out turn and other information. This information is shown in Appendix 2. It can be seen that the available free reserves as at 31st March 2014 are now approximately £7.2 million.

6.2 There are 2 main issues which contribute to this improved position as follows

- a. As a result of the budget consequential arisings arising from the autumn statement further capital resources were allocated to the Scottish block by the Chancellor and £46 million of this has been allocated by the Scottish Government to Local Government over the financial years 2012/14. Confirmation is awaited as to how much Inverclyde Council will receive but a prudent estimate would be £450,000. In light of this it is proposed that this Capital Grant replace £450,000 of the General Fund Reserve contribution to the Capital Programme.
- b. Within the Capital Fund administered by the Council it was anticipated that approximately £3 million would be added to the voluntary severance trawl earmarked reserve in 2015/16 to meet the costs of early release of employees required in order to balance future years' budgets. Based on the savings submitted and the calls on the fund to date it is recommended that approximately £1 million of this allowance could now be written back to the General Fund Reserves whilst still leaving a significant sum available for voluntary severance release costs in the period from 2016. An updated position is shown in Appendix 3.

6.3 Committee should note that this free reserve figure of £7.2 million is likely to increase once Members confirm the savings they propose to take in order to balance the 2013/16 Revenue Budget. This occurs because whilst the savings are required by 2015/16 many have implementation dates prior to that date thus generating a one off surplus.

6.4

The issue of Police & Fire Reserves has been in the press on a number of occasions. The latest position is that the Scottish Government have agreed that 100% of the Free Fire Reserves and approximately 50% of the Free Police Reserves will be returned to Councils however at today's date no timescale for this has been agreed and it is not clear how much Inverclyde Council will receive. It is therefore proposed that no allowance for this sum be taken during the budget process.

7.0 REMITS FROM COMMITTEE

7.1 In the current cycle a number of reports have been remitted to the Policy & Resources Committee for consideration as part of the current budget process.

7.2 These remits are detailed in the separate report on remits from committees on the agenda and Members are asked to consider this when developing their budget proposals to be considered on 14 February 2013.

8.0 CONCLUSIONS

8.1 Information is being received in respect of the budget on an almost continuous basis and officers wish to present the most up to date position to this meeting of the Policy & Resources Committee.

8.2 In the event that further material information is received prior to 14 February then this will either be included in the 14 February report or intimated to Members in advance of the Council meeting.

9.0 CONSULATIONS

9.1 This report has been produced in consultation with the Corporate Management Team.

Revised Base Budget
2013/14 - 2015/16

	2013/14	2014/15	2015/16
	£	£	£
Cummulative Budget Gap - December 2012	(4,032)	532	4,742
<u>Adjustments:</u>			
Increase in Council Tax Band D Equivalent	(61)	(61)	(61)
Reduce Council Tax Collection Rate by 0.2%	69	69	69
Inflation Contingency Review	(200)	(260)	(320)
Other Minor Adjustments	(12)	2	17
Revised Base Budget 2013/2016	(4,236)	282	4,447

"Free Reserves" Update

	<u>£million</u>	
Projected Unallocated Balance 31.3.13 (February P&R)	5.01	
less : Use of Reserves (December Council)	(3.50)	Note 1
add : Reduce 2013/16 Capital Contribution	0.45	
: 2013/14 Projected Surplus	4.24	
: Write back Capital Fund (2013/14)	1.00	
	<u>7.20</u>	
Available Reserves 31.3.14	<u><u>7.20</u></u>	

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Note 1

	<u>£million</u>
Adoption EMR	0.3
2013/16 Contingency	0.6
2013/16 Capital Programme	2.0
Increased Costs Inverkip	0.25
Increased Officer Capacity	0.35
	<u>3.5</u>

Finance Strategy
Capital Fund

Appendix 3

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Balance B/fwd	(1,733)	(1,850)	(827)	(829)	(1,946)	(3,989)	(3,866)	(3,740)
Additions (Estimate)	(100)	(340)	(565)	(3,681)	(2,606)	0	0	0
Interest (Estimate)	(17)	(37)	(37)	(36)	(37)	(77)	(74)	(71)
Principal Repayments	0	400	600	600	600	200 c	200	200
Other Payments	0	1,000	0	2,000	0	0	0	0
Balance at Year End	(1,850)	(827)	(829)	(1,946)	(3,989)	(3,866)	(3,740)	(3,611)

Notes

a Estimated Receipts

2012/13 AMP Receipt, Newark House
 2013/14 AMP Receipt, includes Wellington Academy & 9 William St.
 2014/15 Kempock, £0.4m, AMP £0.165m (Strode Office, 32 Nicholson St)
 2015/16 SEMP Receipts £3.631m, includes Barmoss Nursery, Ravenscraig, Kings Glen, Lilybank, St Gabriels Primaries & St Stephens HS.
 AMP receipts £0.05m, Dairyemple House

2016/17 SEMP Receipts, Greenock Academy, Highlanders

2016/17 Recovery of Scottish Enterprise Clawback, £0.731m

£400k per Depot AMP from 2013/14, £200k SEMP from 2014/15

b From 2017/18 it was agreed that the £400k for Depot would be met from Riverside Inverclyde funding.

c Other Payments:

2013/14 £1.0 million payment to fund Loan Charges with subsequent Loan Charge Savings to help fund the RAMP.

2015.16 £2.0 million payment to fund Loan Charges, subsequent saving in Loan Charges will fund Voluntary Severance Trawl Earmarked Reserve.