

MUNICIPAL YEAR 2013/2014 – REPORT NO. 46

MEETING TITLE AND DATE

Council: 17th July 2013

REPORT OF:

Director of Finance, Resources and Customer Services

AGENDA PART 1

ITEM 13

SUBJECT:

2014-18 Medium Term Financial Plan Update and 2013 Spending Round

Cabinet Member consulted:
Councillor Andrew Stafford

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1. EXECUTIVE SUMMARY

- 1.1 This report sets out the outcomes of the 2013 Spending Round and the medium term financial planning position of the Council. The Spending Round has confirmed that deep cuts lie ahead for local government in the future on top of the 33% funding reductions since 2010.

2. RECOMMENDATIONS

It is recommended that Council:

- 2.1 Notes the outcomes of the June 2013 Spending Round.
- 2.2 Notes the medium term financial position set out in Section 5.
- 2.3 Continues to lobby the Government to recognise Enfield's demographic and welfare pressures to ensure that they are fully reflected in its future grant distribution methodology.
- 2.4 Lobby local MPs to make representations to Government about the public spending reductions, and the unacceptability of damping which is making a difficult situation worse.

3. BACKGROUND

- 3.1 Local Government has faced significant cutbacks since the current Government came into power in 2010. The 2010 Spending Review set out a four year plan which in real terms contained 33% reductions to public sector funding. In addition to the grant reductions, there have been a number of other fundamental changes to local government funding, including:

- Local Business Rate Retention.
- Council Tax Support Localisation.
- Welfare Reform.
- Public Health Reform.

3.2 Grant Damping

Enfield continues to suffer from grant damping. Under this mechanism, funding is re-distributed from the original needs formula to prevent large year-on-year turbulence in individual authority grant levels. This has meant that Enfield continues to receive a lower proportion of funding than it has been calculated as needing by the government's own distribution formula.

The Council has been underfunded from grant damping ever since grant floors were introduced over a decade ago. The Council has lobbied through successive Administrations about this unjust situation and has lobbied the Secretary of State on more than one occasion but damping still remains an integral part of the system.

In theory, damping and floor protection should be a transitional arrangement that unwinds over several years to avoid significant swings in Government funding. This has proved not to be the case and the new funding arrangement which localises business rates will see the 2013/14 floor damping rolled into the 2014/15 base figures to become a fixed and permanent part of the system until the reset planned for 2020.

This is clearly unfair and the Council will take every opportunity to continue to lobby central government on this subject.

3.3 Council Tax Freeze Grant

Enfield has worked hard over the last four years to identify efficiencies and saving proposals in order to maintain frontline services whilst the grant cuts have been implemented. The Council has set a balanced budget and frozen Council Tax levels over each of these years and has maintained appropriate reserves and balances to safeguard against future risks.

During this period, the Government has provided grants to support a Council Tax Freeze. The Council Tax Freeze Grant, whilst welcome, is one-off funding and therefore builds up pressures for future years. It should be noted that for this reason 35% of authorities chose not to accept the Council Tax Freeze Grant offer in 2013/14.

The table below illustrates this point by showing how much money Enfield received or will receive in each year from the freeze grants and how much it would notionally have received by putting up the Council Tax by an equivalent amount.

Council Tax Freeze Grant		2011/12	2012/13	2013/14	2014/15	2015/16
		£000's	£000's	£000's	£000's	£000's
2011/12	3%	3,028	3,028	3,028	3,028	
2012/13	3%		3,050			
2013/14	1%			1,219	1,219	1,219
2014/15 (estimated)	1%				963	963
2015/16 (estimated)	1%					968
		3,028	6,078	4,247	5,210	3,150
Equivalent Council Tax Yield		3,028	6,078	7,297	8,260	9,228
Notional gap in resources		0	0	3,050	3,050	6,078

This table shows that by accepting the Freeze Grants the Council is balancing the books with time-limited funding rather than the ongoing yield from council tax increases. This process would work if the Council had freedom to increase council tax when the time limited grants cease, but this is restricted by the referendum process designed to cap tax increases at 2% or less.

3.4 Council Tax Support Localisation and Welfare Reform

The Government has replaced the national Council Tax Benefit scheme with local schemes of Council Tax Support. As reported earlier in the year, it is a significant change as:

- It is accompanied by reduced Government grant funding of the scheme (by 12%) and;
- The risk of any caseload increase is borne locally and will not attract additional grant funding.

Enfield Council is particularly adversely affected as it currently has the second highest Council Tax Benefit caseload in London. The Council is faced with funding a net £4.0m deficit (after Council Tax technical changes for 2013/14 are taken into account) from reduced payments of Council Tax Support compared with the previous (national) council tax benefit policy.

In Enfield, 27,000 households are being asked to contribute to their Council Tax bill for the first time. It is too early to provide meaningful collection data, but there is an obvious risk to these families' ability to pay. The Council is closely monitoring this situation and the impact it is having on Enfield.

Targeted interventions for those affected by Government welfare reforms

Successful joint working across council services and partners has enabled the identification of those affected by the benefit changes and proactive contact to be made either in person or by phone and letter. Those families and individuals most at risk have been prioritised for support. A joint taskforce comprising council, Citizens Advice Bureau and Job Centre Plus staff has worked together with families and where necessary, link with training providers, childcare places and money advice/debt counselling delivered by Enfield Citizen's Advice Bureau.

The key mitigations are finding employment, finding the additional money or moving to more affordable or smaller accommodation (in the case of under-occupation in the social rented sector).

Hardship Schemes

The Council is awarding hardship grants to families in severe financial hardship through its Discretionary Hardship Payments, Emergency Support Scheme and a new Council Tax Hardship Scheme. For leaseholders, a review of the Financial Assistance Package available to leaseholders has been completed and once the Authority's financial assumptions and requirements in the Business Plan are made available, recommendations for improvement of that support will be submitted for consideration.

Public Health Reform

As of 1st April 2013 Local Authorities have taken over public health responsibility from the NHS, for improving the health of their local population under the legislative framework of the Health and Social Care Act 2012.

The Department of Health (DH) announced in early January 2013 that the public health grant allocation for Enfield in 2013/14 will be £12.961 million rising by 10% to £14.257million in 2014/15. However it should be noted that Enfield has historically been underfunded in the area of Public Health. This was confirmed in the work carried out by the DH in determining the new Public Health grants. The baseline spend per head for 2013/14 is £36. The actual target is £48 per head. However, even though Enfield was one of the Boroughs to receive the maximum increase of 10%, the grant allocation equates to £40 per head i.e. £8 below target (circa £2.6million). The position for 2014/15 is similar, with a target of £50 per head but actual grant equating to £43 per head, i.e. £7 below target (circa £2.2million).

4. JUNE 2013 SPENDING ROUND

- 4.1 On 26 June 2013, the Chancellor of the Exchequer George Osborne revealed details of the Spending Round, outlining government spending plans for 2015-16. Unlike previous Spending Reviews, this year's Spending 'Round' related to one year only and has been announced earlier than usual.

The last Spending Review (SR2010) outlined spending plans for the four years up to and including 2014-15 as part of the government's plan to eliminate the structural deficit by 2015. Slower than anticipated economic growth has delayed the target date and meant further departmental spending cuts are being made in 2013-14 and are planned for 2014-15.

The 2013 Spending Round confirms a further £11.5 billion of reductions which will be made in 2015-16 and provides a breakdown of how these cuts fall across government departments. It also includes a package of growth measures designed to stimulate the economy including £3 billion of capital investment in infrastructure.

The 2013 Spending Round is set within the context of a challenging fiscal and economic environment. Economic growth since the last Spending Review has been slow, which has delayed the Coalition government's intention that the structural deficit (the gap between tax receipts and government spending when the economy is operating at full capacity) would be eliminated by 2015. The 2013 Budget provided updates on the government's two primary economic rules, outlined in the Spending Review of 2010:

- that the government balance the cyclically-adjusted current budget over the coming five years; and
- that net debt will reduce as a share of the economy by 2015-16.

The Office for Budget Responsibility (OBR) concluded that the government was 'on course' to meet the first fiscal mandate, but predicted that the second rule would be missed by two years with debt not falling until 2017-18. Further cuts of 1 per cent to government departmental budgets in 2014-15 were announced in the Budget and additional cuts of £11.5 billion were earmarked for 2015-16.

The overall cut to government expenditure limits has been distributed unevenly across government departments. Funding for health, schools, international development and frontline military has been protected, magnifying cuts for the remaining departments.

The Department for Communities and Local Government (DCLG) has received a larger cut than most other departments (at 10%), following the trend established at SR2010. From 2010-11 to 2014-15, the DCLG local government expenditure limits received the largest cut to funding (in cash terms) of any government department and one of the largest percentage cuts overall. As a result, core funding to councils has been cut by around 33 per cent in real terms over that period.

5. THE MEDIUM TERM POSITION – FUTURE OUTLOOK

5.1 The 10 per cent cut to the Department of Communities & Local Government budget in 2015-16 is concerning for local government, but perhaps more concerning is the outlined reductions to expenditure limits in 2016-17 and 2017-18. The Government also forecasts further reductions in expenditure across departments of 2.8 per cent in 2016-17 and 2.5 per cent in 2017-18. This suggests that local government will be hit even harder in those years if the protections awarded to other departments in 2015-16 are repeated.

It is clear therefore that further cuts across all Councils are here for several years to come. At his recent key note speech at the LGA conference the LGA chairman Cllr Sir Merrick Cockell said:

“Government taking big decisions may be tough but delivering them is tougher and dealing with the implications of such change day after day, year after year, well, that is toughest of all.

We have endured the steepest reductions over the current Spending Review with 33 per cent cuts in real terms. Now, with a single year further 10 per cent cut announced in the Spending Round we were confirmed, yet again, as the hardest hit part of the public sector.

We will have to deal with the impact on our residents. For many there will be a reduction, and in some cases, loss of important and valued local services such as culture, leisure facilities, school support, road maintenance and growth. We know from our own modeling work the current financial position of many councils is unsustainable in the medium to long term.”

The position for Enfield mirrors that set out across many other authorities. The spending round provided control totals at a national level and so there are a number of variables that need to be assumed to interpret the impact on Enfield. Full detail on the settlement at authority level for 2015/16 and future years is unlikely to be provided until autumn 2014

The table below shows that the medium term position will be difficult with significant savings requirements across the plan. The medium term financial plan presented to Council in February 2013 identified that these cuts were likely and the spending round announced on June 26th has confirmed that this is to be the case.

Despite this the Council is well placed to balance the budget in 2014/15. The planning process has already identified over £17m of savings for 2014/15 and a process is well underway to close the remaining gap. But it is clear that the Council faces stark choices over service delivery from 2015/16 onwards. These stark choices are likely to be mirrored with the need to reappraise the relationship between the Council and its community, building on the great strengths already in place in Enfield and stripping back unnecessary and unhelpful bureaucracy and process, whilst making greatest use of technology and self-service, and reducing citizens’ reliance on the Council wherever possible.

	2014/15	2015/16	2016/17	2017/18#
Medium Term Financial Plan	£'000	£'000	£'000	£'000
Council Tax Base	96,343	96,864	98,899	100,877
Inflation	3,957	6,000	6,000	6,000
Additional costs of population growth	2,210	1,410	1,580	2,000
Other cost increases	2,206	2,066	3,300	2,500
Savings approved by (Council Feb13)	(17,829)	(2,760)	(1,267)	0
Reductions in Government Funding	15,886	11,547	6,900	7,000
Council Tax Collection	1,086	0	0	0
Savings Gap presented to Council (Feb 13)	(5,495)	(16,228)	(14,535)	(15,483)
Savings Gap March 13 Budget Announcement	(1,500)			
Budget Requirement	96,864	98,899	100,877	102,894
Taxbase	88,031	88,118	88,118	88,118
Band D Charge	£1,100.34	£1,122.35	£1,144.79	£1,167.68
% tax change	0.0%	2.0%	2.0%	2.0%

MTFP updated for 2017/18 since February Council Report

As stated in the Spending Review, the position is difficult from 2015/16 onwards.

The Council is preparing as well as it can for these cuts and has maintained the levels of balances and reserves it holds in order to mitigate risk and prepare for the difficult decisions ahead. All services are being reviewed for further efficiencies and all new procurements are subject to robust challenge to ensure value for money is delivered.

The Council continues its new ways of working programme designed to enable staff to work more flexibly thereby cutting back on office space and costs. The Council is also actively developing its website to further enable self serve and automation for customers.

6 ALTERNATIVE OPTIONS CONSIDERED

6.1 Not applicable to this report

7 REASONS FOR RECOMMENDATIONS

7.1 To ensure that members are aware of medium term financial position for the authority including all potential risks and reductions in government funding.

8 COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS

8.1 Finance Implications

Financial implications are implicit in the main body of this report. The Council needs to consider risk in its process in order that council reserves and balances will be appropriately set to ensure the continued financial stability of the Authority.

8.2 Legal implications

The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to taxpayers with regards to its use of and accounting for public monies. This report assists in the discharge of those duties.

9 KEY RISKS

- A reduction in fee income across all service areas has continued due to the recession and is being monitored in 2013/14 as part of the monthly budget monitoring regime.
- Welfare reforms especially relating to homelessness
- Increased demand for services which is subject to tight financial control in all areas of spend
- Other pressures arising from the state of the UK economy

10 EQUALITIES IMPACT IMPLICATIONS

10.1 The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly,

tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

- 10.2 Financial reporting and planning is important in ensuring resources are used to deliver equitable services to all members of the community.

11 PERFORMANCE MANAGEMENT IMPLICATIONS

- 11.1 The report provides clear evidence of sound financial management and efficient use of resources.

12 IMPACT ON COUNCIL PRIORITIES

- 12.1 Fairness for All – The Spending round and potential service reductions which may follow will impact on the Council’s ability to deliver on this priority
- 12.2 Growth and Sustainability – The Spending round and potential service reductions which may follow will impact on the Council’s ability to deliver on this priority
- 12.3 Strong Communities – The Spending round and potential service reductions which may follow will impact on the Council’s ability to deliver on this priority

13 PUBLIC HEALTH IMPLICATION

There are no public health implications directly related to this report