Item 5

Finance & Property Committee
MTFS Refresh
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2012/13 Out-turn

- Projected outturn as at period 4 is £8.3m underspend
- Primarily due to existing contingency, and the additional contingency established at the beginning of the year
- Offset to some degree by additional cost pressures, notably in Children's Services which is being kept under review
- On going uncertainty about other pressures, which will be subject of future months monitoring

Reminder – Scenario Planning 2013/14 (as at July)

RISK AREA	RED £M	AMBER £M	GREEN £M	MOST LIKELY ?
Localisation of Council Tax Benefits	6.0	2.0	0.0	2.0
Local Authority Central Spend Equivalent Grant (LACSEG)	6.0	4.0	2.0	6.0
Government Grant / NNDR (4% in existing plan, red = further 4% cut)	7.0	5.0	3.5	5.0
Schools Funding - political commitment that no school loses out	2.0	1.0	0.0	2.0
Care Home Fees	10.0	6.0	3.0	6.0
Further non-delivery of savings	2.0	1.0	0.0	1.0
Council Tax Freeze grant	0.0	0.0	(8.0)	0.0
Health Funding	5.5	0.0	0.0	0.0
Homecare tender (inflation)	2.5	1.0	0.0	1.0
Overheads Review	3.0	1.0	0.0	1.0
Total per scenario	**44.0**	**21.0**	**0.5**	**24.0**

Changes since July refresh

- LACSEG – total grant £18m, expected to retain £10m, grant dependent on number of Academy conversions. Effect: £8m reduction in grant, rather than £6m in July figures
- Early Intervention Grant has reduced from £30m in 2012/13 to £22.7m in 2013/14 (due to removal of pilot funding for 2 year olds placement in Nurseries – top-sliced and transferred to Schools Funding?)
- New Homes Bonus – model assumes £11m retained, but this is still subject to consultation - risk area
- Council Tax Benefit – impact of localisation likely to be neutral (July figures assumed £2m hit)
- Previous figures suggested utilising Schools Balances to temporarily fund schools funding – this will have to come from Council Balances/Reserves

Revised Assumptions 2013/14

RISK AREA	PREVIOUS ASSUMPTIONS	LATEST ASSUMPTIONS
Localisation of Council Tax Benefits	2.0	0.0
Local Authority Central Spend Equivalent Grant (LACSEG)	6.0	8.0
Government Grant / NNDR including EIG	5.0	9.3
Schools Funding - political commitment that no school loses	2.0	2.0
Care Home Fees	6.0	6.0
Further non-delivery of savings	1.0	1.0
Council Tax Freeze grant	0.0	0.0
Health Funding	0.0	0.0
Homecare tender (inflation)	1.0	1.0
Overheads Review	1.0	1.0
Total	**24.0**	**28.3**

2013/14 Balanced Budget Assumptions

	£'m	£'m
2013/14 Forecast Deficit		25.4
Departmental Contingency	(9.3)	
Corporate Contingency	(2.0)	
MTFS Inflation to be used to fund ASCH	(9.0)	
Departmental 'other' Reserves (one off funding)	(1.7)	
Use of County Fund Balances (one off funding afforded through 2012/13 budgeted surplus)	(3.4)	
		(25.4)
Net Budget		0.0

But the risk of non receipt of New Homes Bonus could be a further £11m deficit. This would be an additional call on reserves, any in year underspend should be channelled to meet this deficit.

MTFS Refresh as at August 2012

	2014/15 £'m	2015/16 £'m	2016/17 £'m
Cumulative Savings Shortfall (Budget Report 2012/13)	**25.5**	**74.4**	**101.2**
Assuming previous years shortfall resolved permanently		(25.5)	(74.4)
Additional savings requirement each year	25.5	48.9	26.7
Change in Pressures	(1.0)	0.0	11.8
Risk of Non-delivery of savings	2.3	0.0	0.0
Changes to inflation assumptions	0.0	(1.0)	0.0
Changes to use of other reserves	13.1	(2.1)	1.1
Impact of planned capital programme	0.6	(0.6)	0.0
Changes to funding	(3.3)	(7.9)	(1.0)
Net effect of cumulative changes above	**11.7**	**(11.6)**	**11.9**
Revised Additional savings requirement each year	**37.2**	**37.3**	**38.6**
Revised Cumulative Savings Shortfall	**37.2**	**74.4**	**113.1**

Notes:

The transfer of Public Health Services is assumed to be met in full by grant and as a net nil entry has not been shown in the above figures but is included in the MTFS Model.

The 'Changes to use of other reserves' above, is the impact of one off funding in 2013/14 dropping out in 2014/15. This includes use of Redundancy Reserve £3.1m, Accelerated Savings Reserve £3.1m, use of departmental reserves.

Capital Programme

- Interest and Loan repayments total £37m in 2012/13 revenue budget
- Additional schemes approved in February 2012 will increase this for future years
- Latest bids can only be considered where there is an invest to save business case
- Preliminary bids suggest major pressure of £25m in excess of available resources, particularly in School Refurbishments and Basic Need (c £10-15m)

National Policy Development Update (1)

- NNDR and Pooling
  - New NNDR scheme to go live in April 2013. 50% of locally generated business rates to be retained locally, 50% to be paid to Central Government to fund RSG and other local government grants. Scheme is complex and still the subject of consultation.
  - Authorities can decide to "pool" their business rates, thereby effectively acting as one authority. If all Nottinghamshire Councils (District and County) were to pool, forecasts based upon expected RPI growth suggest that the pool could gain £7.7m in 2013/14 and £8.4m in 2014/15.
  - Pooling also provides insurance against volatility in rates income by spreading this risk across all members of the pool and increases joint-working and collaboration between local authorities.
  - However, differential growth rates among member authorities can enhance or diminish the benefits of pooling. Therefore the pool will have to "support" an authority that would individually have triggered the "safety net" (no authority will see its income fall below a certain level to protect against significant negative shocks in the system eg large business relocation) thus reducing any gains that can be shared among the members.
  - The Government have also indicated that requests for pooling will be rejected if the overall reduction in the amounts paid to fund the "safety net" are too high i.e. it is difficult to see how the DCLG could agree to pooling across all districts and counties in each county area without fundamentally revisiting aspects of the scheme.
  - In addition it will be for the pool members to determine how best to distribute resources within a pool and the only direct financial benefit to shire counties forming a pool is if agreement can be reached within the pool to share some of the gains with the upper tier authority. Governance arrangements therefore need to be agreed.

National Policy Development Update (2)

- Council Tax Benefit
  - Entitlement to Council Tax Benefit will be localised from 2013/14 and central funding will be cut by 10%.
  - Initial forecasts were that the change could cost the County Council between £4m - £6m.
  - District Councils (as administrators of the schemes) have proposed revisions to their benefit schemes which are expected to "close the gap"
- Welfare Reform Act
  - The County Council will take over responsibility for supporting vulnerable people who would have previously assessed for a social fund (Budgeting Loans, Community Care Grants and Crisis Loans) from the Department for Work and Pensions in April 2013.
  - The Council will be given the 'funding and flexibility to redesign the emergency provision for vulnerable groups according to local circumstances, in order to meet severe hardship in the way they think best'. Nottinghamshire's Settlement :
    - 2012/13 set up funding - £17,849
    - 2013/14 Programme funding £1,784,916, Administrative funding £345,713
    - 2014/15 Programme funding £1,784,916, Administrative funding £345,713
  - The criteria to operate the scheme will be critical in ensuring the future costs do not exceed the available funding

Questions?

Nottinghamshire County Council