

Medium Term Financial Strategy – Update on Key Issues.

Executive Member: Councillor G Troughton

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1. Introduction

1.1 This report identifies the key current issues for members in considering its financial strategy including:

- Medium Term Financial Strategy – key financial assumptions.
- Budget Timetable 2012/13
- Governments' Local Government Resource Review

2. Medium Term Financial Strategy 2011/12 to 2014/15

2.1 The MTFS for the four year period was approved by Council on 22nd March 2011.

2.2 In terms of the Revenue Budget, the detailed budget projections for 2011/12 were approved by Council on 22nd February 2011, together with a forecast projection to 2014/15. The savings projections identified are as follows:

Year	£000	Note
2011/12	1,771	Target £2,007k
2012/13	1,472	
2013/14	652	
2014/15	605	
Total Projected Shortfall	4,500	

It is important to note that the forward projections will be monitored and revised throughout the year, both as part of the ongoing budget monitoring process and also as new information comes to light. A report setting out progress to date on the 2011/12 savings is considered elsewhere on this agenda.

3. Budget Timetable 2012/13

- 3.1 The draft budget timetable is attached at **Appendix A**, which RPWG are asked to note and approve.
- 3.2 In terms of the budget process, the role of Overview and Scrutiny is to scrutinise the overall process, looking at the 'bigger picture'. Overview and Scrutiny can provide a useful reality check by questioning whether budget plans fit with the aims, objectives and priorities of the Council. Overview and Scrutiny should also provide an open and constructive challenge to budget management. It can support the Executive and the process, adding value by identifying savings arising from pieces of review work it carries out. During 2011, O&S will carry out detailed reviews into Concessionary Travel and Car Parking Fees and Charges concluding in time to feed into the 2012 Budget.

4. Local Government Resource Review

- 4.1 The Government announced in the 2010 Spending Review that it would be considering a review of the method of allocating resources to Local Government from 2013/14 onwards. The terms of reference for the first phase of the work were published in April. The review will be limited in its scope and will concentrate on the following areas:
- Changes to the Business Rates system
 - Localisation of the Council Tax Benefits
- 4.2 The first phase of the work in relation to the relocalisation of Business Rates is anticipated to be concluded by July 2011 so there is a limited time for Council's to respond. Since the Terms of Reference were issued there has been work carried out at a national level by the Local Government Association who have issued proposals for consultation. This is attached at **Appendix B**. Broadly the LGA are supportive of the return of Business Rates to the local level, however have clearly set out the risks and problems in achieving an equitable system.
- 4.3 Whilst Members can give a view as to whether they are broadly in favour of the relocalisation of Business Rates, it is not possible to provide members with information as to whether CBC will be 'better' or 'worse' off under a new system as the method of equalisation of resources is not known. What seems to be becoming clearer however is that the Government does not appear willing to create a whole new band of 'winners' and 'losers' and current indications are that it will try to 'lock in' the winners and losers from the current grant system, with Council's being allowed to retain the **future** growth in their areas.

- 4.4 Although there is generally a strong desire amongst Council's to be more financially independent and free from Central Government 'control', there are risks inherent in this freedom (e.g. loss of major industry to the area). Also, if indeed the system operates so that any gain is only based on future business rate growth, in a relatively deprived area such as Copeland, the ability to 'grow' business rates may not be substantial, and so potentially CBC may be reliant on a 'top up' from wealthier areas. The ability to grow business in an area will also depend on joined up working in specific regions particularly and there may be a role for the new Local Enterprise Partnership in this development. A brief analysis of the overall position in Cumbria has been provided at **Appendix C** to illustrate the issue.
- 4.3 In terms of the Council Tax Relocalisation, this has a huge implication for individual areas. From 2013/13 Government intend to cut Council Tax Benefit Budgets by 10% and relocalise the system so that individual Councils are responsible for their own areas. The Government are currently consulting with interested parties and will issue a consultation document shortly on how a new system might operate. The risk inherent in any relocalising of council tax benefit at the same time as a 10% cut in funding is great and this will need to be carefully monitored and any new system will need to be designed to recover the 10% cut. It should be noted that the 10% cut in funding has **NOT** been built into the MTFS projections as there is no information available on how the system might operate. A 10% cut in Council Tax Benefit equates to roughly £550,000 for CBC.
- 4.4 A second phase of the Local Government Resource Review will focus on Community Budgets, and will be reported back when further information is known.

5 Conclusions

- 5.1 Members are asked to note the issues raised in the report and respond as appropriate.

Appendix A – Budget Timetable 2012/13

Appendix B - Local Government Resource Review – LGA Consultation

Appendix C – NNDR Net Collectable Amounts 2005-6 to 2009-10

Appendix A

Purpose of Meeting	RPWG / C2C	Executive Meeting	Overview & Scrutiny / Consultees	Council Meeting
Budget Policy Documents 2011/12 to 2014/15: <ul style="list-style-type: none"> - Corporate Plan - MTFS - Treasury Management Strategy - Asset Management Plan 		March		22/2/11 22/3/11 22/2/11
Update to MTFS / Financial Resilience Service Planning process Consideration of Budget Timetable	7 th April /14 th June	28 th June	8 th August	
Scenario planning / update MTFS Service Reviews Consultation proposals	13 th July	26 th July	8 th August	
Scenario planning / update MTFS Service Reviews Consultation progress	10 th August	23 rd August		
Star Chambers – Service Reviews <ul style="list-style-type: none"> - Full update on Progress - MTFS updates 	13 th September	27 th September	10 th October	
Scenario planning / update MTFS Service Reviews Consultation progress	11 th October	25 th October	Special 17 th Nov	

Detail	RPWG/C2C	Executive	Overview & Scrutiny	Council
<p>Consideration of first forecast of overall budget position including:</p> <ul style="list-style-type: none"> - Summary Projections including initial impact of CSR and base budget review - Service Review initial options - Capital Programme proposals - Treasury Management draft strategy 	8 th November	22 nd November	5 th December	
<p>Consideration of final recommendations for issuing Budget proposal for Consultation:</p> <ul style="list-style-type: none"> - Summary of Overall Budgetary Position for Revenue including Formula Grant Settlement and Service Review Options, and Capital. - Treasury Management & Investment Strategy (including Prudential Borrowing Indicators) 	6 th December	20 th December		
<p><u>Formal Consultation Period (20/12/11 to 31/1/11)</u></p> <ul style="list-style-type: none"> - Statutory Consultation (NDR) - Public Consultation - Overview & Scrutiny 			OSC1 special mid Jan	

Detail	RPWG/C2C	Executive	Overview & Scrutiny	Council
<p>Consideration of:</p> <ul style="list-style-type: none"> - Consultation Feedback - Final Budget Reports including Final Settlement figures - Treasury Management & Investment Strategy (including Prudential Borrowing Indicators) <p>Executive Issue Final Budget Proposals</p> <p>(NB: If the Council budget meeting is held after 7th February in any year, then the Council decision on the night is binding)</p>	7/2/12 (RPWG)	<p>3rd Feb</p> <p>14/2/12 (budget special)</p>		23/2/12
<p>Formal Setting of Council Tax (same date as Budget Setting)</p> <p>(NB: Final Statutory date is 11th March)</p>				23/2/12
<p>Updates to MTFS and Policies:</p> <ul style="list-style-type: none"> - For additional year 2015/16 	7/2 and 13/3/12	28/2/12	13/2/12	22 March 2012

APPENDIX C

NNDR Net Collectable Amount (per CIPFA Stats)

	2005/6 £000	2006/7 £000	2007/8 £000	2008/9 £000	2009/10 £000	% Increase 5 yr
Allerdale	19,256	20,031	20,668	22,288	23,093	19.9%
Barrow	18,269	18,883	19,433	20,439	20,924	14.5%
<i>Copeland</i>	<i>31,508</i>	<i>32,240</i>	<i>33,504</i>	<i>35,119</i>	<i>33,660</i>	<i>6.8%</i>
Carlisle	29,644	31,481	32,556	34,443	35,131	18.5%
Eden	13,348	13,999	14,938	15,636	16,060	20.3%
South Lakeland	31,429	32,584	33,526	35,329	36,755	16.9%
Total Cumbria	143,454	149,218	154,625	163,254	165,623	15.5%
% increase y o y		4.0%	3.6%	5.6%	1.5%	
Total England	16,527,217	17,453,795	17,963,838	19,506,636	19,983,683	20.9%