

**SUPPLEMENTARY NOTE ON FINANCE SETTLEMENT AND UPDATED BUDGET
FORECAST**

1 SUMMARY

- 1.1 The local government finance settlement was announced on 8 December. The report submitted with the agenda for this meeting of the Executive indicated that a supplementary note would be prepared and tabled at the meeting summarising the outcome of the local government finance settlement and the updated budget forecast.

2 RECOMMENDATION

- 2.1 The Executive note the terms of this note and the requirement to confirm acceptance in principle of the finance settlement by 20 December 2011.

3 DETAIL

Local Government Finance Settlement

- 3.1 The local government finance settlement confirmed the following funding allocations for the next 3 years.

| | Total Funding £000s | Ring Fenced Grants £000s | RSG and NDR Funding £000s |
|---------|------------------------|-----------------------------|------------------------------|
| 2012-13 | 224,016 | 9,613 | 214,403 |
| 2013-14 | 222,092 | 9,613 | 212,479 |
| 2014-15 | 220,332 | 9,613 | 210,719 |

- 3.2 The funding estimated in the 3 November budget outlook allowed for a decrease in funding based on population changes and a correction to roads grant aided expenditure (GAE) and additional funding from reinstatement of dampening for supporting people. The estimated funding was as follows:

| | RSG and NDR Funding £000s |
|---------|------------------------------|
| 2012-13 | 214,881 |
| 2013-14 | 214,220 |
| 2014-15 | 213,638 |

- 3.3 General funding arising from GAE, former ring fenced grants and changes post 2008 in total over the 3 years is broadly in line with what had previously been estimated. Funding from reinstatement of the dampening of supporting people has been included as expected. The most significant change relates to support for loan charges which is showing a significant reduction over the 3 years. The reduction arises from the profile of notional loan repayments used in the calculating the loan charges support for pre 1999 debt. This is

offset by an increase in funding from the floor mechanism. It is estimated the net change will be matched by reduction in loan charge. In effect there is no overall deterioration in the Councils budget outlook as a result of this.

- 3.4 Capital funding announced as part of the finance settlement was in line with expectations reflecting our prorata share of the reprofiling of £120m and £100m from 2012-13 and 2013-14 to 2014-15 and 2015-16 and the holdback of £42m over the 3 years for flooding.
- 3.5 There is a requirement for the Council Leader to confirm acceptance in principle of the finance settlement by 20 December 2011.

Updated Budget Forecast

- 3.6 The attached table summarises the updated budget forecast and compares this to the forecast presented to the Executive on 3 November. There are comments to explain key changes between 3 November and 15 December.
- 3.7 The main changes in the updated budget forecast are outlined below with the financial impact shown in the attached table:
- Funding revised to reflect local government finance settlement.
 - Council tax forecast updated to reflect current council tax base and estimated income.
 - Employee costs updated to reflect updated teaching staff costs based on school census for 2011.
 - Allowance for pay awards reduced from 2% to 1% from 2013-14 based on medium term public pay policy.
 - Increase in inflation provision for fuel costs.
 - Reduction in estimate for loan charges.
- 3.8 The updated budget forecast estimates a cumulative funding gap of £262,000 over the 3 year period to 2014-15. This is after allowing for severance costs and funding in reserves in relation to additional funding from the allocation of supporting people. There is scope to balance the budget – eliminate the £262,000 before the budget is finalised. There are still a number of areas under review. A key issue still to address in terms of achieving a sustainable budget going forward is the position for 2014-15 where forecast expenditure exceeds income in that year.

IMPLICATIONS

Policy – None directly from this note.

Legal – None directly from this note.

Finance – Updates budget outlook and flags further issues to be considered.

Human Resources - None directly from this note.

Equal Opportunities -None directly from this note.

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