



2013/14 GENERAL FUND BUDGET UPDATE
REPORT OF DEPUTY CHIEF EXECUTIVE – (CORPORATE
DIRECTION)

1. **PURPOSE OF REPORT**

- 1.1 To update members on the 2013/14 budget process and to provide a briefing on the outcome of the Local Government Finance Settlement.
- 1.2 Draft budget papers for the General Fund, Housing Revenue Account and Capital Programme are to be presented to Scrutiny Commission on 31st January 2013. Members of this committee are invited to attend this meeting to receive these reports. The final budget will be approved by Council on 28th February 2013.

2. **RECOMMENDATION**

- 2.1 That the committee notes the contents of this report

3. **BACKGROUND TO THE REPORT**

- 3.1 Work has commenced on the 2013/14 Budget in accordance with the 2013/14 Budget Strategy presented to this committee on 31st October 2012.
- 3.2 On 18 July 2011, the Department for Communities and Local Government (DCLG) published proposals for business rates retention, as part of the Local Government Resource Review. From 2013/14, local authorities will retain 50% of the non-domestic rates they collect locally; 50% will be paid over to CLG and will be returned to Councils as Revenue Support Grant (RSG). A system of top-ups and tariffs will be established to allow locally retained business rates to be redistributed to balance yield. In addition to the standard allocation, a number of other non-ringfenced grants will be “rolled in” to the Business Rates allocation. These include:
- Council Tax freeze grant - this is the 2nd year allocation for the freeze in 2011/12
 - Council Tax Support Grant – allocated to Councils to compensate for the loss in Council Tax income created by the removal of Council Tax Benefit. An element of this grant is recommended for parish councils
 - Homelessness Prevention
- 3.3 The provisional Local Government Finance Settlement was published by the Department of Communities and Local Government (DCLG) on 19th December 2012 and provided details of the funding allocation for all Councils for the forthcoming year.
- 3.4 From a national perspective the key features of the settlement were:
- The 2013-14 Start-Up Funding Assessment is £26.07bn, and the 2014-15 Start-Up Funding Assessment is £23.85bn
 - Total Revenue Support Grant is £15.2bn and £12.6bn in 2013-14 and 2014-15 respectively
 - From April 2013, Councils will directly retain nearly £11bn of business rates instead of returning it to the Government
 - The maximum levy on the local share of business rates is 50p in the pound. This means that at least 25p in each extra pound of business rates generated locally will be retained locally.
 - The level of the relative resource amount is in line with that for 2010-11

- The Business Rates safety net has been fixed at 7.5%

3.4 The total core funding for Hinckley & Bosworth Borough Council for 2013/14 is £5,682,811 split as follows:

	£		£
Revenue Support Grant	3,412,540	Baseline Funding (NNDR)	2,270,271
Of which:		Of which:	
Formula Funding	2,992,354	Formula Funding (NNDR)	1,990,732
2011-12 Council Tax Freeze	63,001	2011-12 Council Tax Freeze	41,913
Council Tax Support	327,160	Council Tax Support Funding	217,651
Homelessness Prevention	30,025	Homelessness Prevention	19,975

3.5 This funding can be compared to 2012/13, along with the additional elements of financing as follows:

Financing	2012/13 (£)	2013/14 (£)	Mvt (£)	Mvt (%)
Council Tax Support Grant	0	544,811	544,811	n/a
Council Tax Payer	3,614,949	3,296,339	-318,610	-8.81%
Council Tax Freeze Grant (2011/12)	105,810	104,914	-896	-0.85%
Council Tax Freeze Grant (2013/14)	0	42,579	42,579	n/a
RSG	102,163	2,992,354	2,890,191	
NNDR Baseline	5,270,283	1,990,732	3,279,551	-7.25%
New Homes Bonus	711,292	1,023,258	311,966	43.86%
Collection Fund Surplus	20,777	4,139	-16,638	80.08%
Total Financing	9,825,274	9,999,126	173,852	1.77%

The following points should be noted:

- Business Rates and RSG have been compared cumulatively in order to identify a total movement in block funding.
- The reduction in core funding for the Council i.e. RSG plus NNDR is therefore £389,360 or 7.25%. The Councils Medium Term Financial Strategy modeled the results for both a 5% and 10% decrease in funding and therefore sufficient resource has been planned for this movement in 2013/14
- Of the £544,811 allocated through Council Tax Support Grant, £143,000 will be allocated to parish councils. The decrease in Council Tax created by the reduction in Council Tax Base has been fully compensated by the General Fund element of the Council Tax Support Grant (£401,811)
- The Council Tax Freeze Grant for 2013/14 is 1% compared to the previous settlements of 2.5%. This grant will be confirmed following approval of the Council Tax for 2013/14
- At an overall financing level, the Council's funding is moderately comparable to prior year. This position has been achieved in part by the level of New Homes Bonus allocated in year. 25% of this funding will be transferred to parish councils

3.5 The current draft proposed budget for 2013/14 at the time of writing this report is based on an estimated net budget requirement of £10,046,901, meaning that

£47,775 will be taken from reserves to fund this expenditure. The General Fund budget includes £600,300 of savings and reductions to the base budgets.

- 3.6 The draft budget also forecasts that £251,840 will be taken to reserves in 2013/14 to be earmarked for future expenditure. This creates a forecast earmarked reserves balance of £5,276,000 as at 31st March 2014.
- 3.7 The settlement announced an aggregate level of business rates nationally of £10,898,554,444. The “proportionate share” of this amount for Hinckley & Bosworth BC is £13,626,547, of which 20% is allocated to the major preceptors. On this basis, the “business rates baseline” for this Council is £10,901,238. This is compared to a “funding baseline” of £2,270,270 to calculate a “tariff” payment of £8,630,967.
- 3.8 The settlement announced that the safety net threshold for all Councils would be 7.5%. On this basis, this Council would need to loose £170,270 of Business Rates before a safety net payment will be made. The level rate for this Council is set at £0.50 which will be applied to any business rate growth. Business Rates forecasts for 2013/14 will be presented to Executive on 30th January 2013 in order to calculate any growth for the forthcoming year. Following collation of this information for all Leicestershire districts, a decision will be made on operation of a Business Rates pool by 15th January 2013. A verbal update on this decision will be made at this meeting.

4. FINANCIAL IMPLICATIONS (KB)

The financial implications on the Council’s budget position are outlined in the report.

5. LEGAL IMPLICATIONS (AB)

None raised directly by this report

6. CORPORATE PLAN IMPLICATIONS

None

7. CONSULTATION

All budget holders have been consulted in collating the information for the budget.

8. RISK IMPLICATIONS

It is the Council’s policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer’s opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
S.11 - Failure to successfully deliver	The Councils budget position	SK

the Medium Term Financial Strategy	is reviewed on a monthly basis and reforecast to ascertain any impact on the Medium Term Financial Strategy. All additional budget requests (supplementary budgets) are scrutinised and authorised in line with Financial Regulations to ensure they are required.	
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9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

None

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background Papers: Civica Financial Files
Provisional Local Government Finance Settlement 2013/14

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