

**Budget 2013/14  
Report of the County Treasurer**

**Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.**

**Recommendations:**

**It is recommended that:-**

- (i) the Provisional Settlement be noted;**
- (ii) the revenue spending targets approved in December be confirmed;**
- (iii) the shorter consultation period and its significance for the budget setting timetable be noted, and that,**
- (iv) the Cabinet member for Finance be delegated authority for finalising arrangements for business rates pooling should the case for it remain compelling.**

**1. Introduction**

- 1.1. The Secretary of State for Communities and Local Government announced the Provisional Local Government Settlements for 2013/14 and 2014/15 on 19 December, broadly two weeks later than the announcement in 2011.
- 1.2. The delay is due in part to the implementation of the Business Rate Retention Scheme (BRRS) which replaces the existing formula grant funding regime. The complexities of the arrangements are such that they could not be implemented to the same timescale as that for grant settlements in previous years. A summary of the changes in the scheme were reported at the Cabinet's December meeting.
- 1.3. The Comprehensive Spending Review (CSR) published in October 2011 outlined real terms cuts of 28% in local authority expenditure over four years. This announcement is for the third year of this reduction programme. The Autumn Statement published in December confirms that budget reductions can be anticipated for at least three years beyond the current CSR period, up to and including 2017/18. It further increased the reduction in Government funding for 2014/15 by 2%.

**2. Impact of the Provisional Settlement**

- 2.1. In terms of the County Council the Provisional Settlement for 2013/14 provides for a baseline funding level of £224.472 millions. This figure is not directly comparable to that for 2012/13 because a number of grants have been 'rolled in'. These include a large part of Early Intervention Grant, the Learning Disability and Health Reform Grant, Council Tax Freeze Grant for 2011/12 and Council Tax Benefit Grant.
- 2.2. In terms of the level of reduction year on year the Secretary of State has quoted a 'spending power' reduction of 2.1% for Devon against an average of 1.7% nationally. The way in which 'spending power' is calculated does not give a true

indication of the way Government Grant has diminished because it includes some redirected NHS money and council tax revenues. As a result it understates the real level of grant reduction. A fairer underlying measure is how the formula grant component has reduced. On a like for like basis this has reduced by 3.6%.

- 2.3. Indicative figures have been provided for 2014/15. The provisional baseline funding level for 2014/15 has been set at £205.468 millions. This figure reflects the profiled reduction already programmed for the last year of CSR 2010 and a further 2% reduction announced in the Autumn Statement published on 5 December 2012. Compared to 2013/14 there is a reduction of £19.004 millions or 8.5%. This level of reduction will prove challenging.
- 2.4. In addition to formula grant the County Council receives a number of specific grants. At the time of compiling this report the following grant notifications have been received:

<b>Grant</b>	<b>£000</b>
New Homes Bonus	2,280
Local Service Support Grant	362
Dedicated Schools Grant	440,255
Pupil Premium	16,047
Education Services Grant	Still to be announced
Public Health Grant	Still to be announced
Social Fund	1,365
Local Reform and Community Voices Grant	626
Council Tax Freeze Grant 2013/14 (for two years and dependent on no increase)	3,282

- 2.5. Further detail will be forthcoming as Departmental announcements are made.

### **3. Implications for Budget-setting**

- 3.1. The uncertainties caused by the fundamental changes to the grant regime are far greater than would normally be the case. The largest of these are that district councils have yet to notify their approved council tax bases and that part of the business rate yield that will come to the County Council. Neither of these will be available until the New Year and may yet lead to differences from forecast that will need to be managed.
- 3.2. Nonetheless, provisional service spending targets were set at the meeting of 12 December 2012. The estimate made of the baseline spending level was sufficiently close to the figure notified on 19 December not to require further amendments to targets at this stage. The provisional targets are therefore confirmed. Budgets will be set within these targets and scrutinised accordingly.
- 3.3. In setting the budget for 2013/14, Members will be aware of the Government's desire to see council tax frozen. In the event that councils agree to freeze council tax and receive government support, a sum equal to a 1% rise in council tax will be provided. The Government has indicated that a 2% rise in council tax will be the trigger for a local referendum.

3.4. It has been noted that the relatively late timing of the Provisional Settlement compared to that for previous years could, all other things being equal, affect the budget setting meetings for both Cabinet and Council. The Secretary of State has confirmed the consultation period for the Provisional Settlement which has been reduced by two weeks from that normally expected. As a consequence consultation will end on 15 January 2013 which in turn should allow the Final Settlement to be announced towards the end of January. Providing there is no further delay, the original timing of budget setting meetings remain feasible.

#### **4. Business Rate Pooling**

4.1. Local authorities in Devon have agreed that, subject to final figures being published and their proving satisfactory, a county wide pool will be established for business rates. The Cabinet approved this course of action in principle at its meeting in November.

4.2. Providing the County Council is a member of the pool the potential exists for district councils to avoid paying a levy on growth in their business rate collection. This benefit, should it arise, will be distributed between all pool members. Pooling is not risk free and recent announcements by the Secretary of State confirm that some of the envisaged benefit of pooling may not be realised.

4.3. At the time of preparing this report, final figures of district councils estimated business rate yields for 2013/14 had not been received. Until they are, a decision on business rate pooling cannot be made. The timetable for notifying the Department of Communities and Local Government falls before the next Cabinet meeting. It is therefore recommended that if once the figures are available the case for pooling remains compelling, the Cabinet member for finance be authorised to confirm the arrangement.

#### **5. Conclusion**

5.1. The fundamental changes to business rate retention and the revised settlement regime have meant that the notification of key information to local authorities has been delayed. Whilst some information, particularly from district councils is still awaited before budget plans can be finalised, it is encouraging that so far forecasts have proved substantially accurate. A further report will be brought to Cabinet to finalise both the revenue budget and the capital programme in February.

Mary Davis  
County Treasurer

Electoral Divisions: All

Cabinet Member: Councillor John Clatworthy

Local Government Act 1972: List of Background Papers

DCLG Provisional Local Government Settlement and related announcements

Contact for enquiries:

Chris Sanders

Tel. No. 01392 382653

Room: 196