Financial Outlook

The Country is officially into a “double-dip” recession. This is impacting on the Council’s finances as income from fees & charges have fallen over the last financial year, in addition to the government support continuing to reduce as the Comprehensive Spending Review 2010 continues to bite. Our government support grant has already reduced from £7.2m in 2010-11 to £4.2m this year.

The government are currently undertaking a review of local government finance. Whilst the impact of this won’t be known until probably December this year, it is clear that our settlement will continue to decline, and we anticipate a further reduction for 2013-14.

Despite this the District Council looks to be reasonably well placed in terms of its financial position. We have already saved well over £4m so far, and have again this year balanced our budgets without needing to call on reserves. We also think that we will be able to balance our budgets for next year, 2013-14 without too much difficulty, but beyond that we are less certain and are working on putting in place contingencies to address potential budget deficits.

One thing is very clear. The future for local government finance is becoming less certain, and more volatile. We know that the government funding in future will largely be linked to the performance of our local economy. The government are ensuring this link through several different mechanisms:

1 - The New Homes Bonus

This is a grant paid to local authorities (80% districts / 20% counties) in respect of each new domestic property built in the district. It “rewards” areas that have accepted growth by paying the grant (equivalent to an average Council Tax bill) for the following 6 years. In 2012/13 we will be receiving £0.9m and by 2016-17 this will be worth about £2.5m per year to CDC.

2 - Localisation of Business Rates

The local government resource review, when concluded, will contain localisation of business rates starting April 2013. Currently we collect business rates and pay them over to the Government.

The localisation of business rates won’t mean that we suddenly receive a windfall. However, if we attract new businesses or current ones expand we will be able to keep some of any future growth in business rates. We will also, however, suffer a reduction should business rate income decline!

3 - Localisation of Council Tax Benefit

The government also intend to pass responsibility for Council Tax benefit down to local billing authorities. But the funding for this will be cut by 10%. This will mean that we must introduce our own scheme to pay council Tax benefit and in doing so we must decide whether to pass on that cut to the claimants or whether we fund it. That issue aside, and that is a major issue, what will happen going forward is that should the number of claimants increase, the whole of the additional cost will fall on the local authorities as there is no guarantee that the government grant would increase in line with demand.

<u>Summary</u>

All of this means that the financial position of the council is inextricably linked to the financial well-being of the economy:

- If we build more homes we will receive more government funding from the New Homes Bonus.
- If the business sector prospers and the rates they pay increases, we will be able to retain some of that increase. If however, the local economy falters and shrinks we will suffer a loss.
- If we can reduce the amount of claimants on Council Tax Benefit by getting people back in to work, that too will directly benefit our budgets. If on the other hand claimant numbers increase we will have to fund that increased cost locally.

Clearly the government's agenda is one of growth, and they are putting in place direct financial incentives for councils to support that agenda.