

MEDIUM TERM FINANCIAL PLAN 2011 – 2014

1. PURPOSE OF REPORT

- 1.1 To provide Members with an update on the development of the Medium Term Financial Plan (MTFP) for 2011 – 2014 following the announcement of provisional details of the Local Government Funding Settlement on 9 December 2011 and confirmation of the New Homes Bonus on 8 December 2011.

2. BACKGROUND

- 2.1 The Local Government Finance Settlement sets out the level of formula grant that the Council can expect to receive in 2012/13. A short period of consultation will now take place prior to the Government confirming the final settlement details during January 2012.

- 2.2 The headlines are:

- The Government's provisional finance settlement confirms the previously expected reduction in Government Grant announced last year of £1,151,000 (12.9%).
- Additional grant of £284,477 to reimburse the Council for a loss of income from a council tax freeze (equivalent to an increase of 2.5%) has been incorporated into the revenue support grant.
- The New Homes Bonus payment for 2012/13 has been confirmed to be £719,978 for 2012/13. This represents the second instalment of £408,227 for Year 1 (2011/12) and the first instalment of £311,751 for Year 2 (£311,751).

3. LOCAL GOVERNMENT FINANCE SETTLEMENT DETAILS 2012/13

- 3.1 The draft Local Government Finance settlement confirms the amounts previously indicated for 2012/13 as part of last year's two year settlement. In 2011/12 the amount of Formula Grant received was £8,931,000. However whilst last year there was a separate allocation in respect of the Council Tax Freeze grant, the 2012/13 allocation has now been incorporated into the core grant settlement. Details of the provisional grant settlement for 2012/13 are as follows:

	£000
Base Grant Settlement	7,780
Council Tax Freeze Grant	285
Total Grant	<u>8,065</u>

4. NEW HOMES BONUS

- 4.1 The New Homes Bonus is a key part of the government's housing growth focus. The Bonus is based on the council tax of additional homes and those brought back into use, with an additional amount for affordable homes, for the following six years. The government's objective is to benefit those local authorities which promote and welcome growth.
- 4.2 The Bonus is a flexible, non-ringfenced grant. The government have stated that it can be determined locally how it is spent but have suggested the following as possible uses - reinvesting in housing or infrastructure, supporting local services or local facilities, or using the funds to keep council tax down.

5. FINANCE & EFFICIENCY PORTFOLIO HOLDER COMMENTS

- 5.1 The level of Formula Grant is as anticipated and therefore the Council's savings workstreams that were reported on in November will offset the reduction in grant now announced. I believe this will enable the objective of a balanced budget to be presented in February for consideration by Council.
- 5.2 A second year of no increase in Council Tax was also an objective of the Cabinet and therefore this grant is welcomed.
- 5.3 The New Homes Bonus is also welcomed and Cabinet will now need to consider the correct balance of how much is to be used to support services and the budget and how much can be made available for future investment. I will ensure that this is addressed in the report to Cabinet in February.
- 5.4 Given that both the New Homes Bonus and the additional grant for implementing a Council Tax freeze in 2012/13 are not guaranteed in future years it is important that we continue to manage cautiously our budget strategy. I believe this will require all Portfolio Holders to continue with our savings workstreams and prepare for the future beyond 2013.

6. RECOMMENDATIONS

- 6.1 That Members consider the details of the provisional Local Government Finance Settlement and note that a further report will be made to the February meeting of Cabinet on the Draft Medium Term Financial Plan 2012/13 enabling the setting of the Council Budget and Council Tax in February.

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