

MEDIUM TERM FINANCIAL PLAN 2012 ONWARDS/ANNUAL BUDGET 2013/14

1. PURPOSE OF REPORT

- 1.1 To further develop the Council's Medium Term Financial Plan including preparation of an annual budget for 2013/14.

2. BACKGROUND

- 2.1 In December 2010 the Government announced Grant reductions for the Council over the period 2011 to 2013 of £2.7 million (26%), as the first phase of delivering the planned reductions in local authority spending.
- 2.2 The Council response was to develop a range of *Workstreams* that delivered total savings over the two years of over £3.2 million.
- 2.3 During this period the Council's General Fund net expenditure has reduced from £23.1 million in 2010/11 to £19.6 million in 2012/13, a total reduction of over 15%.
- 2.4 Over the same period there has been no increase in Council Tax to compensate for the loss of Government funding. Band D Council Tax has remained at £155.76. This has been partly assisted with Government funding for delivering a Council Tax "Freeze" and New Homes Bonus.
- 2.5 The second phase of the planned austerity measures will be implemented in 2013/14. In addition to the anticipated cuts in grant funding there will be major changes introduced for Localising Support for Council Tax (including a 10% reduction in grant) and Business Rates funding. (Details of these new proposals were shared with all Council Members at a briefing on 16th July 2012).

3. UPDATE ON GOVERNMENT CHANGES

- 3.1 **Localising Support for Council Tax** - Cabinet established in June 2012 a member "task and finish" group to review proposals, for consultation on a new scheme (Appendix A). This task was completed and consultation commenced in late July. The proposals if accepted together with proposals for changes in Council Tax discounts (Appendix B) would make a significant impact in redressing the loss in Government funding associated with the new Local Support for Council Tax scheme.
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- 3.2 **New Business Rates system** – In July the Government published a consultation paper for proposals for a new Business Rates system. In 2013/14 the Government will determine a level of funding to be available to each Council as a baseline, in addition to Council Tax. Of this Local Business

Rates will make up approximately 50% with Government formula funding contributing the other 50%. Consultation ends in September.

- 3.3 **Future Government Funding** - Indications are that the level of baseline funding (Business Rates and Formula Funding) could be lower than that received in 2012/13 by as much as 12% to 18%. This is significantly less than local government might have expected (the Comprehensive Spending Review 2010 identified for local authorities reductions of 0.4%) and it would appear that the government maybe holding back monies as a contingency. Local Government funding details for 2013/14 will not be confirmed until December.

4. MEDIUM TERM FINANCIAL PLAN

- 4.1 The Council's Medium Term Financial Plan (MTFP) has to date successfully bridged the funding gap created by the reductions in Government funding. Indications are that further progress is being achieved in readiness for the anticipated further Government funding cuts. The Council's financial performance in 2011/12 was £503,000 under budget (Portfolio spending) and early indications from the 2012/13 Budget Monitoring report indicate that £300,000 of the savings achieved should be ongoing cuts. Early forecasts for 2013/14 expenditure are set out in Appendix C.

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- 4.2 The Council has set out to achieve a balanced budget with General Fund reserves remaining at £2,036,000. In 2012/13 Capital / Programmed Maintenance Fund reserves of approximately £200,000 (3%) are planned to be used in addition to expenditure financed in the year from revenue. The overall revenue reserves position is strong.

FORMULA FUNDING

- 4.3 A great deal of uncertainty currently surrounds the likely levels of funding to be available in 2013/14. The MTFP presents 3 scenarios of funding reductions ranging from 12% to 18%. Further details are unlikely to be known until November at the earliest.

BUDGET ITEMS 2013/14 FOR CONSIDERATION

- 4.4 The Localisation of Council Tax Benefit as a discount scheme will impact on the Council Taxbase, which is set by the District Council in December of each year. This has implications for all billing and precepting authorities headline Band D Council Tax. In the case of the District Council, the County Council, the Police Authority and the Fire and Rescue service the government will provide grant funding of approximately 90% of the cost direct to each authority. Towns and Parish Councils will not receive this grant direct from the government instead an amount will be paid to the District Council. The Government's consultation set out its expectations that the Council should work closely with local councils to implement arrangements which reflect this changed position fairly. To aid this arrangement the Government has indicated that a sum of £385,000 is attributable to local councils and made available to NFDC. On the basis that this amount is made available to the Council the MTFP provides for it to be passed to local councils. Should this funding be subject to the general reductions in Government funding

anticipated the amount available would be further reduced as indicated within the MTFP. Discussion have taken place with Towns and Parish Councils (August 23rd 2012) and a working group established to assist the development of a scheme of distribution. This will be consulted on with Town and Parish Councils prior to the Cabinet recommendation and approval by Council in December.

- 4.5 An estimate of New Homes Bonus related to 2013/14 is set out within the MTFP. This grant funding has been “top sliced” from national formula funding and is for general purposes not being “ring fenced”.
- 4.6 Cost pressures have largely been contained in the last 2 years with no pay award (national bargaining) in each of the last 3 years making the most significant contribution. The last pay award was in 2009/10 (1.25% for Band 1 and below and 1% for everybody above that).

5. PROPOSED CHANGES TO COUNCIL TAXBASE

- # 5.1 The Government’s plans for Localising Support to Council Tax impact on the Council Taxbase. As set out in Appendix D, before any actions are implemented which may mitigate the impact the Council Taxbase is estimated to reduce from its 2012/13 level of 73,274 to 66,213. The affect on Council Tax of the change in Council Taxbase is that Band D headline would increase from £155.76 to £172.37 an increase of 11%.
- 5.2 Through the work of a Task and Finish Group, working with the Finance and Efficiency Portfolio Holder, the Council has developed a Council Tax Support Scheme on which it is currently undertaking public consultation. The scheme being consulted on would reduce benefit awards in line with the 10% government funding reduction (which is equivalent to approximately 1% of gross Council Tax).
- 5.3 In addition to the review of a Local Council Tax Support Scheme the Task and Finish Group have also reviewed possible changes to Council Tax Discounts and exemptions. These changes being considered if implemented would generate additional resources of between 0.5% and 1% additional gross Council Tax.
- 5.4 Cabinet will consider a recommendation to Council in December on both a new scheme for Support to Council Tax in 2013/14 and changes to Council Tax Discounts and exemptions.
- 5.5 The impact of both the changes outlined above on Collection Rates is difficult to predict. However, current collection performance is very good and in 2011/12 was 99.2% (budget 98.5%), the highest performing Council in Hampshire.
- 5.6 A local Scheme for Council Tax support may lead to increased take up and should both the actions outlined above be implemented there will likely be an impact on collection performance. However, the Council’s current collection performance is good which indicates that any overall impact of the proposed changes can be managed without an adverse impact.

Taking all these factors into account it is currently envisaged that the Council should be in a position to implement measures which maintain the Council Taxbase at its 2012/13 level district wide.

6. BUDGET DEVELOPMENT PROCESS

- 6.1 Considerable uncertainty surrounds the financial outlook but the Council has benefited from its strategy of the forward planning of its finances. This approach should continue and actions to identify efficiencies and economies from the review of services needs to continue. Significant financial benefits have already been delivered from the Council's approach.
- 6.2 Portfolio Holders will continuously question what we are doing and whether it still needs to be done. It is planned that service areas to be subject to further review will be identified by Cabinet in December.
- 6.3 A member Task and Finish Group has been established to undertake a review of the Council's financial strategy and achievement. It will complete its work with a report to Cabinet in February 2013.
- 6.4 Due to the changes to the Council Taxbase generated by the Government changes to Local Support for Council Tax the Council meeting in December will be a significant part of the Budget setting process. The outcome of the decisions taken in December will not only impact on the Council's finances but will also affect all precepting authorities, including Hampshire County Council, Hampshire Police Authority, Hampshire Fire and Rescue Service and all Town and Parish Councils in the District.

7 BUDGET TIMETABLE 2013/14

- 7.1 The Medium Term Financial Plan – Draft Budget 2013/14 as now set out will be:
 - 7.1.1 Subject to review by the Budget Task and Finish Group
 - 7.1.2 Updated in December 2012 following:
 - i. Government announcement on Local Government Finance Settlement
 - ii. Public consultation on Local Scheme for Council Tax Support
 - iii. Half year Budget Monitoring 2012/13
 - 7.1.3 The Council Taxbase will be set by Council in December
 - 7.1.4 The Budget will be approved by Council in February 2013 following a recommendation from Cabinet.

8 PORTFOLIO HOLDER COMMENTS

- 8.1 Two years ago the Government announced significant levels of cuts in grant that threatened many local authority services. Our approach was all Portfolios to review much of what we do as a Council and prioritise those areas where we considered change could be made. It is good to be able to report that where Portfolio Holders have looked to make change we have delivered either financial savings or generated additional revenue. I thank Cabinet for what has been achieved.

I recognise that this has often been very challenging but the success of our approach has enabled us to continue to deliver local essential services efficiently and at a continued high standard. At the same time we have recognised the situation faced by many of our local taxpayers and we have not increased their burden with higher Council Tax.

As we now await the Government second phase of austerity and change I am pleased to report that through much hard work I believe we are again well placed to deal with the Government's announcement in November on levels of future funding and other major changes.

One of the changes next year is a new Localised Support Scheme for Council Tax and at least 10% less funding for it.

This is a complex and difficult area of Council work but I must thank the Task and Finish Group of members and officers for the hard work they have put in to develop a draft scheme for consultation. Getting to this position provides real choices to consider in December which in turn provides financial resilience to all Council services.

This new arrangement also creates burdens for our local Town and Parish Councils. Over the next few weeks I hope to be able to work with their representatives to develop a way forward in support of our commitment as demonstrated within the budget strategy to local communities.

There are many challenges ahead but I believe the Financial Plan outlined together with the commitment of all will deliver our objectives.

9 RECOMMENDATIONS

- 9.1 It is recommended that Cabinet note the latest position of the Council's medium term financial plan and early indications of issues affecting the budget for 2013/14.

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Background Papers:

None



This page is a print version of New Forest District Council article 12859

Local Council Tax Support (CTS)

Council Tax Benefit is being abolished and replaced by local Council Tax Support (CTS). New Forest District Council is required to set criteria for deciding whether residents are eligible for help to pay their Council Tax bill.

We want to hear your views on the proposed changes.



Council Tax Benefit is changing

What is Council Tax Benefit?

Council Tax Benefit helps people on low income pay their Council Tax. Central government currently sets the rules regarding who can claim Council Tax Benefit. If somebody meets the criteria they receive a contribution (up to 100%) towards their Council Tax bill. This contribution is paid for by central government.

New Forest District Council (NFDC) is responsible for collecting the Council Tax which helps to fund the services provided by Hampshire County Council, the Police, Hampshire Fire & Rescue, NFDC and your local town or parish council.

In the New Forest about £10.4 million is now spent on Council Tax Benefit with the number of claimants having increased over the last few years.

Why is there a need for change?

The Government is abolishing Council Tax Benefit and requiring local councils to replace it with local Council Tax Support (CTS). At the same time government funding for this purpose is being reduced by over £1 million. The shortage in funding means NFDC on behalf of other local authorities has to consider some difficult decisions about who gets help to pay their Council Tax.

The Government has stated:

- **There will be no change to the amount of help pensioners currently receive.**
- The impact on the most vulnerable should be considered when councils design their new schemes.
- The new scheme should encourage people to work and in particular should not act as a disincentive to working.

Local councils are allowed to decide the rules for their own local CTS schemes. Following consultation NFDC will finalise a scheme to be in place by 31 January 2013.

We want to hear your views

The council is committed to a full consultation process and we are consulting with residents and relevant groups before the new scheme is introduced.

A questionnaire to collate views of all residents is available to complete until Sunday 30 September 2012. This is your opportunity to influence what the new CTS scheme should look like. You can complete the questionnaire online or print a hard copy and return it to - Performance Team, New Forest District Council, Appletree Court, Beaulieu Road, Lyndhurst, SO43 7PA.

More about the scheme:

Last updated: 27 July 2012



This page is a print version of New Forest District Council article 12860

Changes being proposed

The Government, through the Spending Review 2010, made a commitment that support for Council Tax would be localised from 2013-14 and funding is being reduced. Without making changes to the current scheme the loss of the government's funding of over £1 million would result in either reductions of local services or higher Council Tax.

New Forest District Council is therefore considering possible changes to the current benefits scheme for working age claimants. Below is a brief description of the changes we are considering to help us make the necessary reduction in expenditure.

There will be no change to the amount of help pensioners currently receive.



Council Tax Benefit is changing

Option	Current scheme	Proposed change
A	Capital for working age claimants between £6,000 and £16,000 is taken into account when calculating benefit. Claimants with capital over £16,000 do not receive any benefit.	Change this limit from £16,000 to £6,000.
B	A claim is worked out based on the properties Council Tax band. Higher value properties receive more benefit.	Limit Council Tax support for bands D to H to a 'band C' property.
C	Many working age claimants on low income pay little or no Council Tax towards local services.	All working age claimants (except the most vulnerable) to pay a minimum of 20% Council Tax: On a 'band C' property this would mean every working age couple paying at least £5 per week (£260 per year) towards all council services, Police, Hampshire Fire & Rescue and local town and parish councils.
D	The current Council Tax Benefit scheme expects a grown up son, daughter, friend or relative (non-dependants) living with a claimant to make a contribution towards their Council Tax bill.	Increase contributions by 50% from other adult members of the household.
E	There is no set minimum amount of Council Tax Benefit, so claimants could receive as little as 1p per week regardless of the administrative costs.	Set a minimum level of award of £1.00 per week.
F	A single householder who would not be in receipt of benefit but has another adult living with them on a low income can get up to 25% off their Council Tax bill - 'second adult rebate'.	Remove 'second adult rebate'.

A scheme which included all of the above changes could reduce the council's expenditure by approximately £1 million a year.

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In addition to implementing a local council tax support scheme, the Government is allowing billing authorities to change the amount of discount or exemption applied to certain categories of dwellings.

1. Discretion to remove the 10% discount currently allowed on second homes

In the current council tax rules, councils must grant a discount of between 50% and 10% on second homes (i.e. homes that are furnished which are no one's main residence). NFDC currently allows a 10% discount on second homes.

This requirement is changing and in future we no longer have to offer a discount.

2. Discretion to remove the 100% exemption for unoccupied and unfurnished properties

In the current council tax rules, councils must award an exemption to vacant properties for up to 6 months. This means no council tax is payable for the period of the exemption. If the property remains vacant after 6 months the full council tax becomes due.

This requirement is changing and in future we will be able to award a discount **up to 100%** for up to 6 months.

3. Discretion to remove the 100% exemption for uninhabitable homes, which are unoccupied and undergoing or requiring major repair or structural changes

In the current tax rules, councils must award an exemption from council tax to a vacant home undergoing or requiring major repair work to render it habitable or undergoing structural alteration. This exemption applies for a maximum of 12 months. This means no council tax is payable for the period of the exemption.

This requirement is changing and in future we will be able to award a discount **up to 100%** for a maximum of 12 months.

4. Discretion to charge a premium for long term empty properties

In the current council tax rules, councils cannot charge a premium for properties that remain empty

This requirement is changing and in future we will be able to apply a premium of **50%** of the full council tax for homes that have been empty for longer than two years.

**Medium Term Financial Plan
Budget 2013/14 Forecasting**

	Budget 2012/13 £000's	Budget 2013/14 £000's	Baseline Funding Reduction Options		
			12% £000's	15% £000's	18% £000's
Baseline Expenditure					
Net Portfolio Spending Requirements	17,569	18,615			
Other Expenditure					
Capital Financing (NHB)	1,411	225			
Minimum Revenue Provision	2,028	2,028			
Contribution to Reserves	90	90			
Interest Earnings	- 420	- 600			
New Homes Bonus (2011/12 & 2012/13)	- 720	- 720			
New Homes Bonus (2013/14)	-	- 250			
Other Grants	- 363	-			
Total Baseline Expenditure	19,595	19,388			
New Items					
Localising Support for Council Tax Towns & Parishes - Grant	-	385	- 46	- 58	- 69
Net Expenditure	19,595	19,773	19,727	19,715	19,704
Baseline Funding					
Formula Funding	8,049	8,049			
Damping	- 269	- 269			
Council Tax Freeze 2011/12	-	285			
Council Tax Freeze 2012/13	284	-			
Other	-	78			
Council Tax Support inc local councils	-	1,305			
	8,064	9,448			
Formula Funding - 50%		4,724	4,157	4,015	3,873
Business Rates - 50%		4,724	4,157	4,015	3,873
	8,065	9,448	8,314	8,030	7,746
Council Tax	11,413	-	11,413	11,413	11,413
Collection Fund	117	-	-	-	-
	19,595	-	19,727	19,443	19,159
Budget Variation			-	272	545
Reserves as at 1st April					
General	2,036	2,036			
Capital / Programmed Maintenance	6,099	6,099			

**Council Tax
Budget 2013/14 Forecasting**

	Budget 2012/13 £000's	Budget 2013/14 £000's	12% £000's	15% £000's	18% £000's
Budget Variation	-	-	-	272	545
Council Tax 2012/13	11,413	11,413	11,413	11,413	11,413
Collection Fund	117	0	0	0	0
	11,530	11,413	11,413	11,685	11,958
Taxbase					
Budget 2012/13	73,274	73,274	73,274	73,274	73,274
Localising Council Tax Benefit	-	7,061	7,061	7,061	7,061
Taxbase before Localised CTB Scheme and Discount		66,213	66,213	66,213	66,213
<u>Before implementation of Localised CTB Scheme and Discounts</u>					
Band D Council Tax	155.76	172.37	172.37	176.48	180.60
Council Tax Increase	-	11%	11%	13%	16%
<u>After implementation of Localised CTB Scheme and Discounts</u>					
Band D Council Tax	155.76	155.76	155.76	159.47	163.20
Council Tax Increase	-	0%	0%	2%	5%