

REPORT OF CABINET

(Meeting held on 2 October 2013)

1. BUDGET UPDATE ON DISCRETIONARY GRANT PAID TO TOWN AND PARISH COUNCILS (REPORT A) (MINUTE NO 33)

In April 2013 the Council introduced a discretionary grant to town and parish councils to compensate for the loss of income to them following changes to the national funding of Council Tax benefits. In 2013/14 this discretionary grant totalled £403,000. While in 2013 the government paid a specific grant to billing authorities to compensate for the change, from 2014/15 this funding will no longer be separately identified and will be subject to the overall funding reductions affecting this authority, estimated at £2.4 million over the next 3 years, representing 11.7% of the Council's total spending. To assist local councils to plan their budgets in the light of continuing reductions, the Cabinet consider that this Council should continue to pay discretionary grant to them in the short term, reducing progressively over the next 3 years. The following sums will therefore be included in the medium term financial plan to cover the projected grant payment to local councils:

2014/15 budget - £300,000
2015/16 budget - £200,000
2016/17 budget - £100,000

This represents a reduction in the funding to local councils of 2%, compared to the 11.7% facing this Council. The Cabinet welcomed the open approach being taken to developing proposals that are fair to local councils and also supported the introduction of a degree of certainty in their financial settlements over the next 3 years, which will help their budget planning processes.

The views of town and parish councils in the District will be sought over the coming weeks, and reported to the meeting of the Cabinet in December.

2. GENERAL FUNDING STRATEGY – FIXED ASSETS, EQUIPMENT AND THIRD PARTY CONTRIBUTIONS (REPORT B) (MINUTE NO 34)

This Council's current funding strategy for fixed assets, equipment and for the delivery of services by third parties has been developed on the basis of matching the funding available through the Council's resources, with no reliance on external borrowing. To continue to match this investment programme to the diminishing resources available through the General Fund, the spending requirements for each portfolio over the next 3 to 5 year period, and in some cases up to 10 years, are being reviewed, leading to the development of a spending programme that will inform the Medium Term Financial Plan and the budget for 2014/15. The areas of expenditure supported by this funding are summarised in Appendix 1 to Report B to the Cabinet and further detail will be reported to the Cabinet in December as the review of spending requirements develops. The revenue funding available will however be reduced against the budget of £3.4 million this year, to £3 million in 2014/15; and £2.5 million in 2015/16 and 2016/17.

3. MEDIUM TERM FINANCIAL PLAN 2013 TO 2017 (REPORT C) (MINUTE NO 35)

The Cabinet has been updated on the development of the Medium Term Financial Plan to cover the period up to 2017. Each Portfolio Holder has developed a draft resource plan which identifies the aims, performance requirements, challenges and

consequent proposals for the delivery of the Council's Corporate Plan within their area of responsibility. These resource requirements guide the development of the annual budget. The Portfolio resource plans are attached as Appendix 1 to Report C to the Cabinet.

An analysis of the key factors affecting the funding available to the Council is set out in Report C and its appendices. Overall, the Council is facing continuing, significant, reductions in government grant, with formula funding expected to be reduced by a further £3.2 million per annum by 2016/17, as a result of 25% year on year reductions in each of the next 2 years. In this area, where the potential for residential and business development is constrained by the National Park and other nature conservation designations, this Council will not have the same level of access as other areas to alternative funding streams that are designed to promote growth, such as the New Homes Bonus and Business Rate Retention that, elsewhere, will play a significant role in making up the shortfall. Nonetheless, the Council will continue to work with all sectors of the local business community to encourage a growing and vibrant local economy.

More detail on the funding available from government is expected in December 2013 as part of the Local Government Finance Settlement and will be reported to Members in due course. While there is still some degree of uncertainty about the level of funding available from 2015/16, the next years have been identified by the government as subject to significant funding reductions.

The developing Medium Term Financial Plan takes account of various factors that will increase budget requirements, as set out in section 5 and Appendix 3 of Report B. The portfolio holders, Budget Task and Finish Groups and the officers will continue to work together to develop the budget proposals.

On a positive note, savings of £1.321 million have already been identified for 2014/15, reducing the net budget requirement by £662,000 compared to 2013/14. This reduces the projected "budget gap" to just £68,000. Further significant savings will however have to be found to meet the projected deficit for 2016/17.

**4. PUSH – CONSTITUTION AND DELEGATION ARRANGEMENTS (REPORT D)
(MINUTE NO 36)**

Following the decision that this Council should re-join the Partnership for Urban South Hampshire (PUSH) (Cabinet minute 28, 4 September 2013 and Council minute 23, 9 September 2013 refer), the Cabinet has authorised the Chief Executive to sign the Agreement for membership, as set out as Appendix 1 to Report D to the Cabinet.

**Councillor B Rickman
CHAIRMAN**