

## **COUNTY COUNCIL MEETING – 14 DECEMBER 2012**

**Statement from: Cllr K Smith, Executive Councilor for Finance and HR**

### **County Council Budget and the Government Provisional Local Government Grant Settlement for 2013/14**

As members will be aware, there are major changes to the funding regime for local government in England coming into force from 1 April 2013. The Government is finalising proposals in that regard and, as a consequence, has delayed the announcement of the provisional Local Government Grant Settlement for 2013/14 by around 2/3 weeks. This is now expected during week commencing 17 December. Therefore, it has been necessary to delay the consideration of the Council's draft budget proposals to the Executive meeting on 8 January 2013. The January Executive will approve a budget as a basis for consultation with a wide range of stakeholders during that month. The various Scrutiny Committees of the Council will consider the proposals for their own service areas at their January meetings.

### **Government Initiatives Relating to the Financing of Local Government in England**

There are two topics on which I wish to provide you with an update on progress:

(i) **Local Retention of Business Rates**

I have previously updated Council on this initiative, whereby the current general grant given by Government to local government in England (ie formula grant) will be replaced from April 2013 by a funding methodology partially based on the local retention of business rate income. The precise impact of the new regime will only be evident once we have the draft Local Government Grant Settlement for 2013/14. One feature of the new regime is the ability for individual authorities to pool their share of locally retained business rates to minimise the amount of excess growth in business rates income that has to be returned to Government. The mechanism is relatively complicated, and will not necessarily benefit every local authority every year. However, following extensive analysis and discussion with District Council officers and members, the County Council has signed a memorandum of understanding with two Lincolnshire District Councils (North Kesteven and South Holland) to pool business rate income for at least 2013/14. Any one of the three authorities has the option to withdraw from this provisional agreement once the Local Government Settlement is published if it believes it would no longer be prudent to be party to such an arrangement. It is expected that the January Executive meeting will decide whether to endorse the pooling agreement or to withdraw. A decision to withdraw has to be taken within 28 days of the publication.

(ii) Support for the Council Tax

From April 2013, the Government intends to replace the present centrally controlled and funded council tax benefit system with local schemes set by each billing authority (the Districts in our case) and funded by a new grant devolved to all local authorities. Current central funding will be reduced by 10% prior to allocation of that funding. The new regime means that the County Council will be responsible for around 75% of costs for this new regime in the county, and is likely to face a funding shortfall of £4M in the first year of operation. The ability to mitigate that shortfall rests exclusively with the District Councils in terms of how they establish their individual local schemes. They have the power to increase income from the council tax by charging tax on vacant premises, and they also have the ability to reduce benefit entitlements to current claimants - apart from pensioners who are protected. Officers and members have worked constructively with the Districts to seek a solution that minimises the financial burden on all authorities, but still provides for a fair scheme. The Districts have generally developed schemes which will minimise any adverse financial impact on the County Council, and are presently consulting the public on those proposals.

**Annual External Audit Letter 2011/12**

The District Audit Service of the Audit Commission has now been replaced by KPMG as the external auditors of the County Council. In late September 2012, the District Audit Service released their last opinion on the financial statements of the Council and its Pension Fund, together with their view on whether the Council has adequate arrangements to secure value for money. The letter gave the Council a positive report on all aspects, noting in particular a substantial improvement in issues relating to the preparation of the financial statements of the Council that had occurred in the previous year.

**Broadband**

The European Commission has now approved State Aid for the UK's programme to ensure at least 90% of premises have access to superfast broadband by the end of 2015.

That news is welcome but because the approval was later than anticipated, and there have been other changes at national level, we have re-set our timetable to sign contracts with a private sector partner in March rather than January. That means planned improvements will be available then and actual improvement work will start in early summer. We have been working closely with potential private sector partners since August, and are still asking for work to be completed by the end of 2015.

These changes have affected all Councils and we are still in the same relative position - near the front of the queue with one of the largest programmes.

I visited Cornwall with senior managers from the Council at the end of November to see what we could learn from their work which is now bringing economic benefits there.

### **Support to Local Businesses**

The TIPP's programme (Training in Public Procurement), developed in partnership with the Chamber of Commerce and the Federation of Small Businesses, continues to be successful with more training sessions than ever being delivered across the county with a new course now available that is specifically designed to support local SME's in successfully bidding for contracts worth up to £75,000.