

## Notes on CBC Budget Meeting 28<sup>th</sup> January 2013

ACRA were represented by John Mather (Highcliffe); Malcolm Burton-Smith (SAMRA); Mike Collard (SAMRA); David Barnett (West Christchurch); Jim Biggin (secretary)

CBC Head of Finance Ian Milner, who indicated that the budget round of 2013-14 had been “*the most chaotic he had ever experienced as a result of Central Government behaviour*” presented the following facts (a full copy of the CBC presentation can be found at [www.wcresidents.co.uk](http://www.wcresidents.co.uk)):

UK debt is fast approaching £1 trillion; at the moment government receipts amount to £548 billion a year but they are spending £697 billion a year – a deficit of £149 billion a year that can only be funded by borrowing and thus increasing the national debt (see the chart at page 3 of the CBC presentation).

The greatest pressure by far on the public purse is in welfare benefits of one kind or another. Expenditure in this area has increased from about £130 billion a year in 1991-92 to £230 billion a year in 2010-11 – which thus accounts for a third of all government expenditure (see the chart at page 5 of the CBC presentation).

As a part of addressing this problem Central Government has squeezed Local Government. As a result the grant to CBC will fall by £180,000 in 2013-14 and by a forecast £268,000 in 2014-15. This will be partly offset by allowing Local Authorities to retain a portion of business rates collected. There will in future therefore be a direct financial reward for attracting new businesses to the area.

A Local Authority must by law produce a balanced budget each year and be able to demonstrate that it has sufficient reserves to cope with unforeseen contingencies. The current situation in CBC is:

Gross Expenditure	£35.0 million
Gross Income	£29.5 million
Shortfall	£5.5 million
Funded by Council Tax	£3.3 million
Government Grant	£2.2 million

There has been some loose talk of using reserves to fund current expenditure. This is of course not sound financial management and CBC reserves that are not already earmarked for identified events amount to only £2.8 million – less than one year’s Council Tax receipts (see the chart at page 13 of the CBC presentation).

There has been no increase in Council Tax in the last two years. Central Government is offering a one-off grant of £33,000 in 2013-14 if CBC freezes again. In addition there is an imposed cap of 2% on any increase. Any increase above 2% may only be levied after a local referendum has taken place, estimated to cost approximately £30,000.

By accepting the one-off grant and continuing the freeze councils are storing up trouble down the line because once the “one off” sweeteners are stopped there will be an inflation induced gap between expenditure and receipts. This could amount to say £200,000 for Christchurch by 2017-18.

Action already taken, such as combining the administrations of East Dorset and CBC, have produced annual savings of £650,000 and are on target to save £1 million a year.

Delegates were then asked to address a number of questions related to CBC expenditure. The questions plus their responses can be found at [www.wcresidents.co.uk](http://www.wcresidents.co.uk)

Jim Biggin

January 2013