



Understanding the Council's Budget

Merton Park Ward Residents Association
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Understanding the Council's Budget

- Revenue & Capital
- Expenditure & Income
- Balances & Reserves
- Ways of Reducing the Budget
- Financial Challenges
- Grant Funding
- Medium Term Financial Strategy



Revenue & Capital

- Revenue Budget
 - Day to day running expenses
 - Balanced for year – & ideally over medium term
- Capital Programme
 - Enhancements of assets
 - Four year programme & further 5 year indicative programme
 - Grant funded and through borrowing



Revenue Expenditure

- Employees
- Premises
- Transport
- Supplies & Services
- Third Party Payments
- Transfer Payments
- Support Services
- Depreciation/ Capital Financing Costs



Income

- Government Grants
- Reimbursements & contributions
- Customer & Client Receipts
- Interest
- Recharges
- Reserves



Balances & Reserves

- General Fund Balance
- School Balances
 - Individual Schools
 - Funding for schools generally
- Earmarked Reserves
- Revenue Grants & Contributions
- Linked to Contracts
- Capital Reserves
- Capital Grants



Balances at 31/03/2016

- General Fund £15.2m
- Schools Ring-fenced £15.2m
- Earmarked £28.7m
- Linked to Contracts £1.9m
- Rev. Grants & Contributions £1.9m





Balances at 31/03/2016

- Capital Grants £4.2m
- Capital Receipts £29.6m





Use of Revenue Balances

- 2014/15 £13.3m
- 2015/16 £0.2m
- 2016/17 £7.8m est.
- 2017/18 £12.1m est.





Ways to Reduce the Budget (1)

- Review of expenditure
 - Numbers of staff
 - Inflation factor in contracts
 - Services provided
- Review of income
 - Increase fees & charges
 - New charge for services
 - Cost recovery



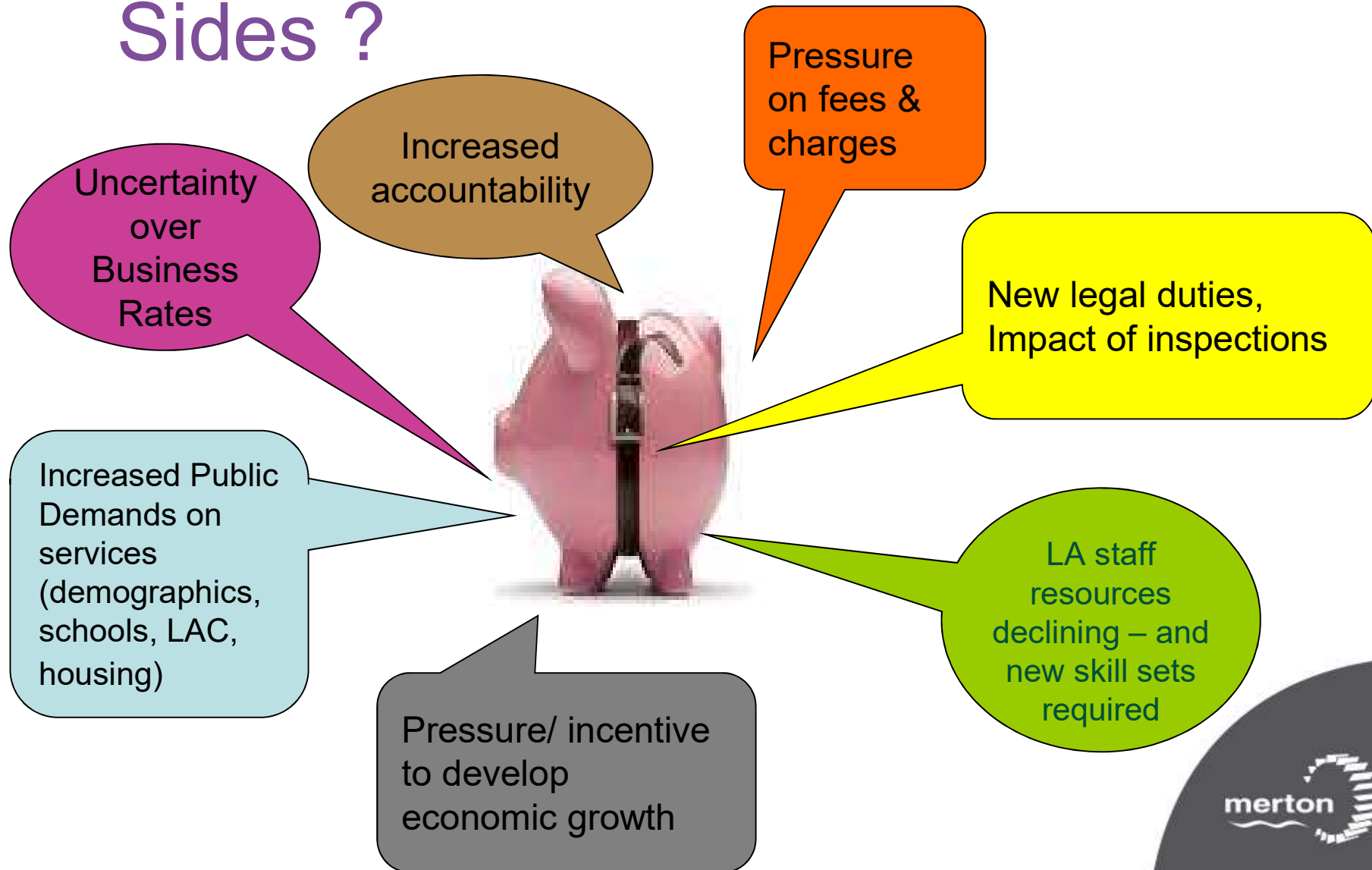
Ways to Reduce the Budget (2)

- Review grant funding
&
- Review level of Council Tax
 - Reduced flexibility
 - Referendum limit now in place for excessive increases
 - Set by DCLG at 2% for 2017/18
- Social Care Precept of 2%
 - +1% for 2017/18 to improve ASC
 - No more than 6% over next 3 years





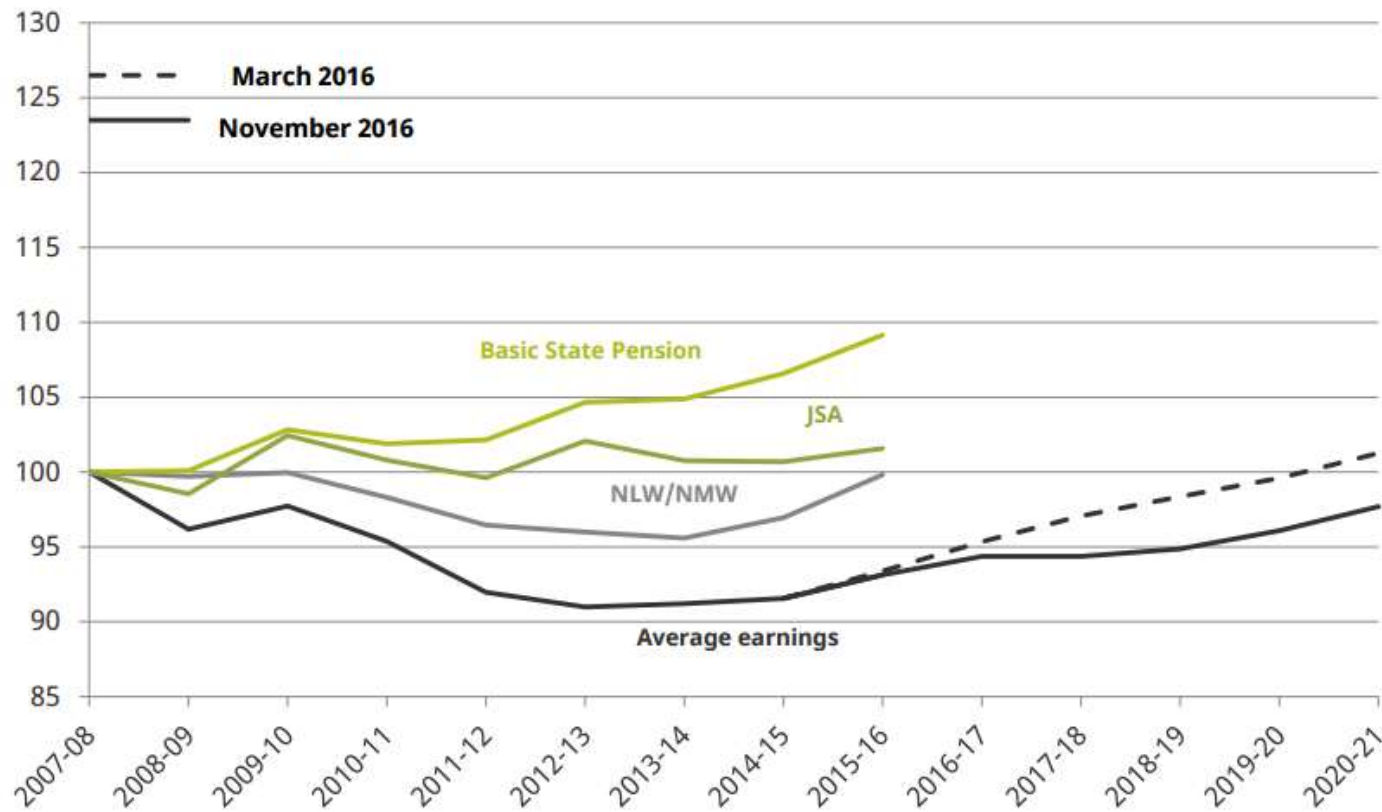
Public Sector : Squeezed from All Sides ?





Real terms earnings, benefits and State pensions

2007-08 to 2020-21

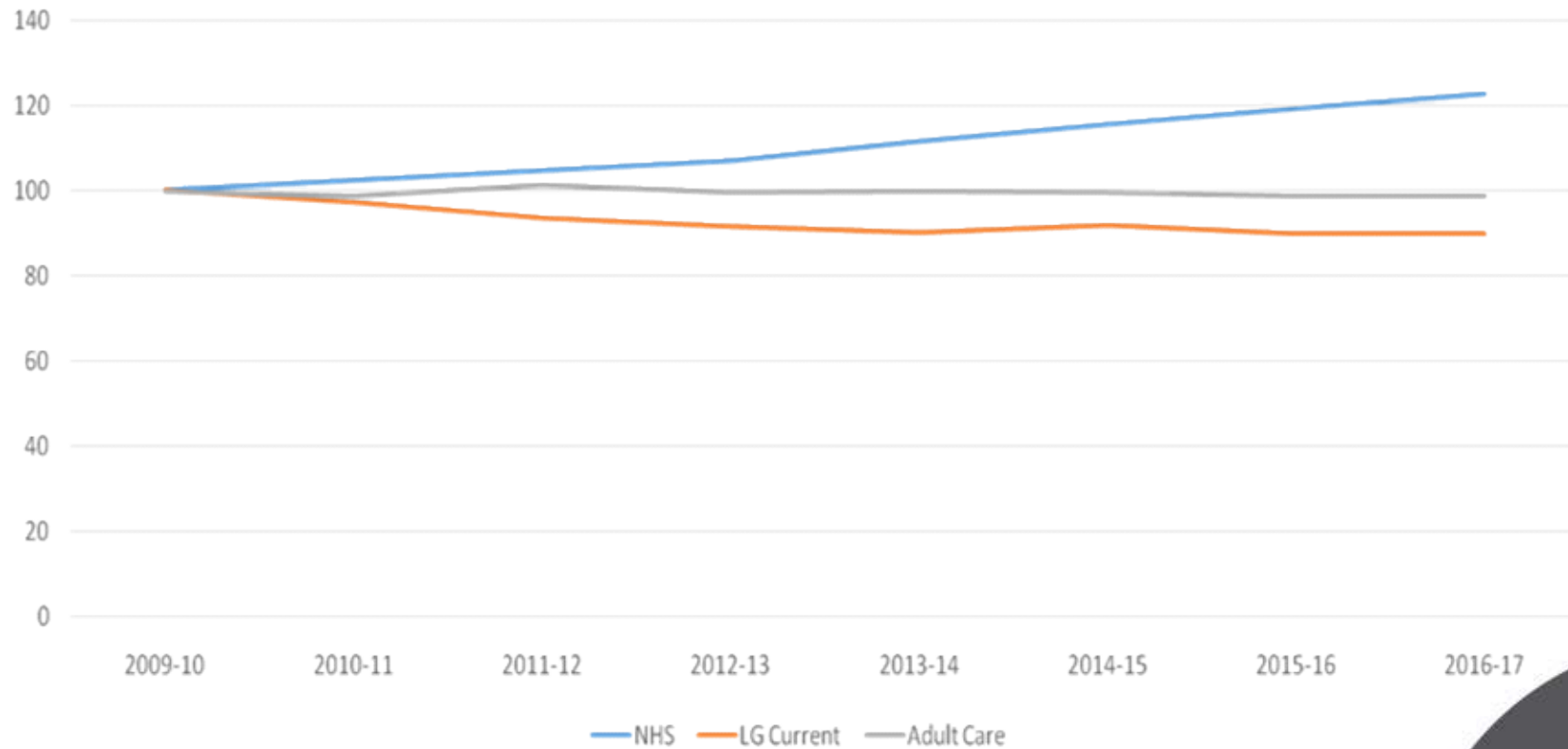




NHS, Local Government and Adult Care

cash expenditure, 2009-10 to 2016-17 (2009-10 = 100)

Chart Title





NDR Revaluation 2017

- Non-domestic rateable values will be revalued in 2017-18
- While this may affect many NDR payers, it does not affect individual councils' income
- However, it has implications for the starting-point of the post 2019-20 100% retained NDR system
- 'Transitional protection' for those facing higher bills, paid for by those with lower ones
- Help promised in Budget tomorrow for small businesses



Schools' funding reform

- Government proposes to move to a national funding formula for schools
- This has been planned for many years, but never quite delivered...
- Latterly intended to be introduced for 2017-18, but now delayed to 2018-19
 - Minimum funding guarantee retained for 2017-18
- Inevitably, gainers and losers.....



London within the UK (1)

- London's economy is over 50% bigger than Scotland, Wales and Northern Ireland added together
- London pays 30% of UK taxation
- Large transfers occur from London (and SE region) to RUK
- EU exit negotiations will need to recognise this reality



London within the UK (2)

- Issues:
 - Migration (40% of all London employees, but varies by sector)
 - Whitehall departments' capacity to work together consistently
 - London's input to Industrial Strategy (NB: 'rebalancing')
 - Investment/capital spending link to Industrial Strategy



Current Revenue Challenge as at March Council

	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
Savings in MTFS	9,700	15,971	17,239	17,329
Growth	11,927	12,901	10,395	10,895
Gap - cumulative	0	3,485	9,708	18,087



Revenue Support Grant

- Will disappear by 2020
- Councils will be funded by council tax, NDR and any receipts from an NDR ‘start-up pool’
- Some authorities will contribute to this ‘pool’
- Details of this new system have yet to be worked out in full
- But it seems likely that annual changes in income will be determined by changes in council tax and NDR bases
 - These, in turn, subject to much intervention
 - Uncertain incentive effects
 - For Merton – impact of Crossrail 2





Draft Capital Programme

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Total	39.5	33.2	16.1	8.4

