



Norwich City Council Budget 2013/14

Avoiding the 'Jaws of Doom'

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Context



Naomi Klein's thesis

‘Those who wish to implement unpopular free market policies exploit situations where a society experiences a major ‘shock’. Unscrupulous actors implement policies which go far beyond a legitimate response to the disaster’.

The Pickles Plan: 'The shock doctrine' applied to Local Government

Reason for the frontloaded cuts

'It is important that local government restructure its administration and its services, and the only real way to do that is to start the process early on'

Eric Pickles – CLG Select Committee 2010

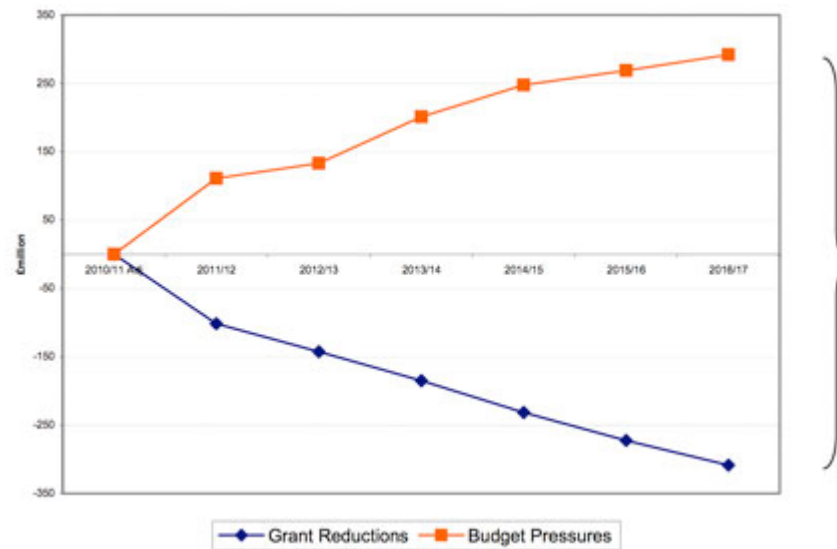
Impact

Councils in England have cut £5Bn and shed 230,000 jobs over the past two years

Up to £1bn in cuts through technical changes in 2013/14

Punitive pattern of spending cuts continues 14/15 onwards.

'The jaws of Doom'



Issues of financial viability

Audit Commission

43% larger single tier councils

34% district councils

Short or medium term risk of not being financially viable

Macro Economics

Fiscal Multipliers & the IMF

Then

£10bn of spending cuts will reduce GDP by around £5bn

and now.... £10bn of spending cuts will reduce GDP by between £9bn and £17bn).

Local multipliers

- Benefits of public expenditure:
- Every £1 of public money invested public services a further 64 pence is generated in the local economy.
- **Loss of at least £28m** to the Norwich economy from cuts in City Council and County Council budgets over the lifetime of the CSR
- **Real Wages stagnated** to 2003 levels
- Welfare benefit changes **£35 million lost** to local economy

Local Multipliers

Multiplier 2*: For every public sector job .4 of a job created in the private sector

- assume a 10% cut across wider public services – 2600 jobs + knock on of a further 1000 jobs in the private sector.
- Damage to local supply chains
- Stagnant wages, higher prices

*(model developed by Centre for Local Economic Strategies)

Don't overspend on bottled water!



Funding transfers rather than cuts

By 2013/14 the Spending Review will have cut grants to councils by £4.3bn; while corporation tax to companies has been cut by £3.75bn.

Not forgetting lost tax revenues....

Google



vodafone



amazon



pwc



General Fund revenue budget & capital programme

Budgetary requirement

Prudent level of reserves

Council Tax requirement & increase

Savings requirements MTFS

Non Housing Capital Plan

Budget landscape

- Economic uncertainty
- Net savings £2.5m for 2013/14
- New finance system – unpredictable
- Unavoidable expenditure c.£1m pa
- Inflation between 3-5%

Budget Landscape

- Welfare reform changes – impact on General Fund and Housing budgets
- Erosion of the Council Tax base (10% cut in CTB grant)
- Lower Council Tax Freeze Grant
- MTFS - £8.3m over next 4 years – ‘smoothing’

Budget Landscape: Capital resources

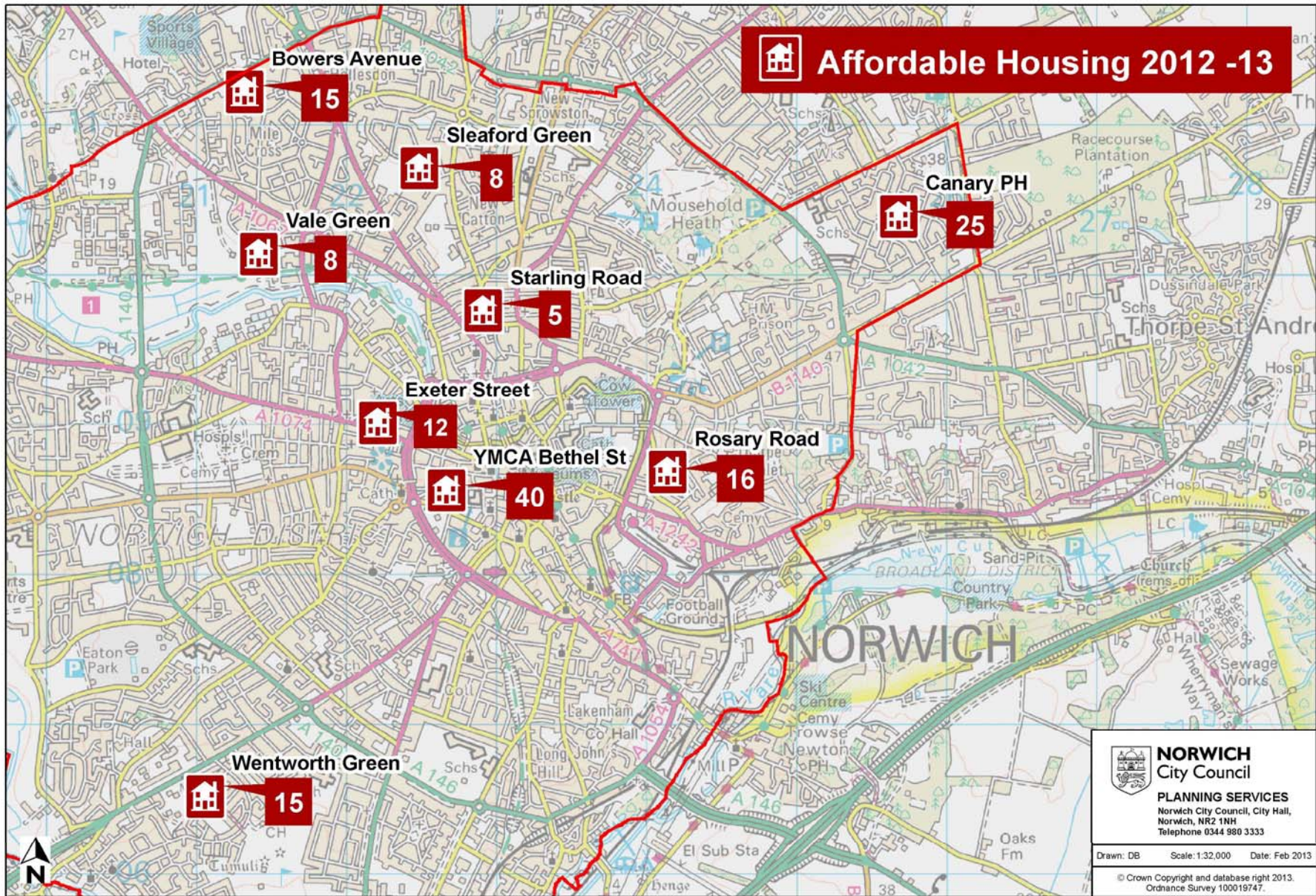
Crucial part of our budget strategy

Asset maintenance (repairs)

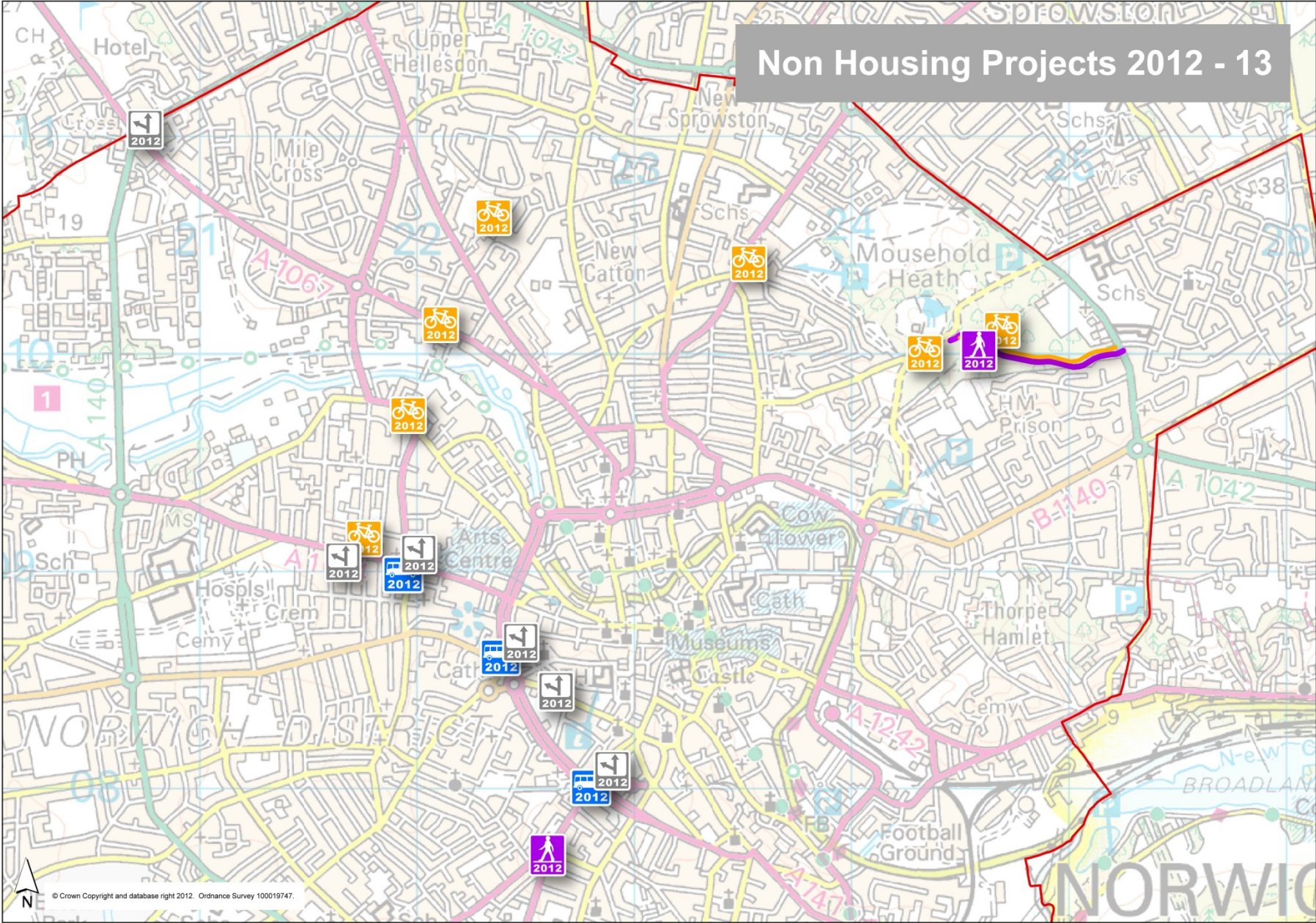
Asset improvement (accommodation)

Asset investment (£1m pa)

Regeneration and growth (HCA) & s106.



Non Housing Projects 2012 - 13



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Sustaining the council

Crucial role of the transformation programme in developing options for savings and additional income to meet MTFS targets.

Any underspends into reserves to be available for priorities as part of the next policy and resources cycle

Recommendations

As set out page 39

