

EXECUTIVE
5th January 2016
Council Budget 2016/17



Agenda

- Background
 - Current Budget Strategy
 - Comprehensive Spending Review / Autumn Statement 2015
- Provisional Local Authority Finance Settlement
- Revenue Budget 2016/17
- Capital Programme 2016/17
- Council Tax Proposals
- Budget Consultation

Current Budget Strategy

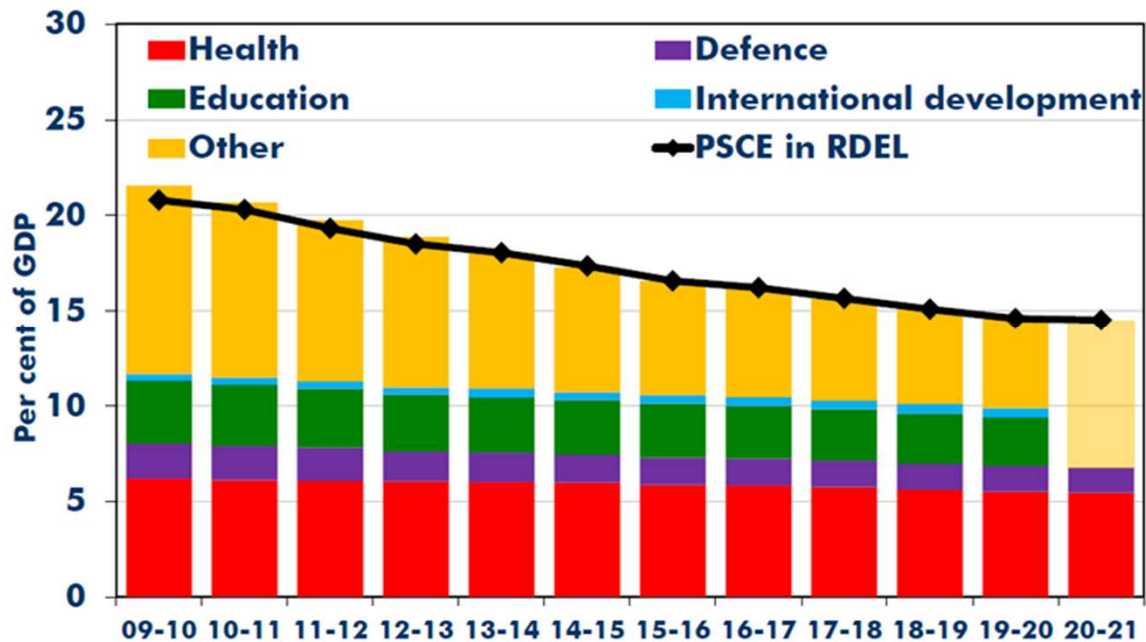
- 4 year core offer strategy ended in March 2015. Around £148m worth of budget reductions delivered funded by £125m savings and £23m from reserves.
- Last year the expectation was of ongoing government funding reductions until the end of the decade. Recent announcements have confirmed that assertion. Reductions are higher in the short term than anticipated. Significant new cost pressures have arisen, in particular, the new national living wage announced by the Chancellor in autumn 2015.
- The aspiration was to set at least a two year budget going forward from April 2016. However, the combination of funding reductions and new cost pressures mean it's only feasible to set a one year budget again this year.
- The one year budget requires significant service reductions and extensive use of available reserves. The scope for service efficiency savings is now limited as these have already been actioned.
- The use of reserves is not a sustainable strategy and further savings for 2017/18 and beyond are essential.

Comprehensive Spending Review (CSR) & Autumn Statement 2015

- CSR set Government Dept. budgets for the next 4 years. It indicated that the DCLG funding for local government would again be at the top of the list for reduction – a real terms reduction of 56%.
- The ability for Adult Care authorities to add 2% to their council tax going forward for the next 4 years was announced. The 2% has to be spent on adult care services.
- Further Better Care Funding (BCF) of £1.5bn by 2020 was announced but only starts in 2017 and only has a significant impact from 2018.
- A reconfiguration of the New Homes Bonus from 2018 also announced. In effect diverts £800m of this funding to part fund the BCF £1.5bn allocation.
- Public Health Grant to remain ringfenced for 2 more years and reduced and then to potentially be locally funded via business rate income.

Comprehensive Spending Review November 2015

Public services spending



Office for
Budget
Responsibility

Provisional Local Government Grant Settlement

- Offers certainty of funding in terms of Revenue Support Grant (RSG) and business rate income for up to the next four years. Open to consultation until 15th January 2016.
- RSG falls by £28m (28%) in 2016/17 from the current year and then by further amounts of £22m, £14m and £14m in successive years to 2019/20. A cumulative fall of £78m (79%). The equivalent grant in 2011/12 was £211m. These are higher than anticipated reductions.
- Redistributes RSG away from Adult Care authorities with high relative council tax bases towards those with low relative tax bases. Moves around £160m nationally from Shire Counties to urban areas. Small impact on LCC but significant impact in other shire areas. No prior consultation on this measure and no smoothing in of the impact proposed at present.
- Current year grants of £4.3m for Care Act implementation and £0.3m for local flood authority role now 'absorbed' into RSG.
- No additional funding for the new national living wage or increased NI contributions that commence on 1st April 2016.

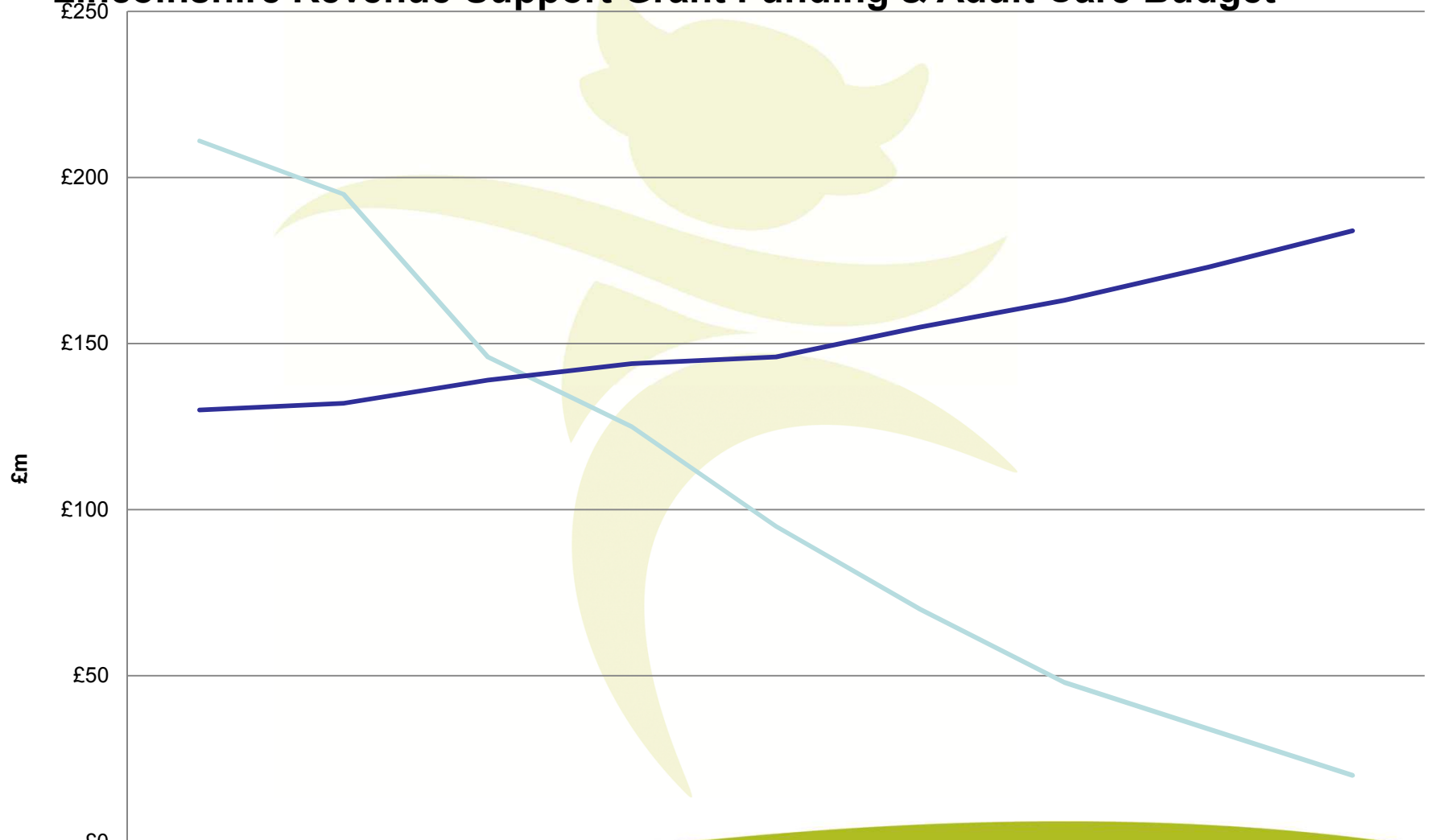
Provisional Local Government Grant Settlement (cont'd)

- A referendum threshold of 2% on council tax increases next year (plus an additional 2% for Adult Care).
- Ability to use capital receipts over the next 3 years to fund revenue costs of transformational projects designed to save money.
- Additional funding for New Homes Bonus (£0.8m) and Rural Services grant (£0.4m). The latter rises by a further £3.85m by 2020.
- Estimated budget shortfall in future years (after delivering £42m savings next year):

2016/17	£38.7m
2017/18	£36.0m
2018/19	£36.5m
2019/20	£47.6m

- 2016/17 shortfall to be funded by reserves but little scope for that in later years

Lincolnshire Revenue Support Grant Funding & Adult Care Budget



	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
RSG (£m)	£211	£195	£146	£125	£95	£70	£48	£34	£20
AC Budget (£m)	£130	£132	£139	£144	£146	£155	£163	£173	£184

The Composition of Council Reserves

- Two types – General Reserve (£15.9m) and Earmarked Reserves (£169.8m)
- General Reserve cannot prudently be committed as it's funding for unforeseen events/emergencies. In line with average maintained by local authorities.
- Earmarked Reserves include money that either does not belong to LCC (eg. schools) or is grant or other contributions for specific purposes which may need to be refunded if not spent on the specific purpose concerned. Those categories account for £86.9m.
- Of the £82.9m left, £22m is being used this year to supplement the budget and £39m is required to balance the 2016/17 budget.
- Balance remaining is less than £30m but is all earmarked for specific purposes like insurance claims, adverse weather impact on highways, health and wellbeing, transformational projects.

Provisional Revenue Budget for 2016/17

	£m
Current year base budget	476.3
Cost Pressures	30.9
Savings	<u>(42.1)</u>
	<u>465.1</u>
Funding:	
Business rates	102.0
Revenue support grant	70.4
Other grants	11.5
Council tax	<u>242.5</u>
	<u>426.4</u>
Shortfall to be funded by reserves	38.7

Revenue Budget – Service Area Impact

- Unavoidable cost pressures of £31m funded but with savings of £42m proposed.
- Main cost pressures comprise:
 - Adult Care demography £5.0m
 - National Minimum Living Wage £5.0m
 - National Insurance increase £2.6m
 - Borrowing Costs £2.4m
 - Mixed Dry Recycling contract £1.7m
 - Pay inflation £1.5m
- Main savings proposals:

All services have identified savings which are wide ranging and typically take the form of service reductions rather than efficiencies as the scope for the latter is now relatively limited following previous savings initiatives.

Capital Programme – 2016/17

- Ongoing commitment maintained to major infrastructure schemes (eg. highways, Boston barrier)
- Ongoing commitment also maintained to blocks for property repair & maintenance, fire fleet vehicles, ICT with some minor adjustments
- £7.5m capital contingency budget established to deliver Council priorities for which business cases are required from service areas
- Specific capital grants for schools and highways allocated to those service areas as required under grant conditions

Council Tax

- Proposed to increase the Council Tax by 3.95% next year having frozen it for 4 of the last 5 years.
- Equates to an annual increase of £42.90 for a band D property or 82p per week.
- Actual price inflation over the last 5 years as measured by RPI has been 13.6% whereas the council tax has only increased by 1.9%. State benefits have increased by around RPI over that timeframe. Council Tax for a Band D property would have been £130pa higher had increases at the level of RPI been applied. Total Council Tax income would have been £27m higher.
- The Council is very likely to maintain its position of having one of the lowest levels of council tax for an English County Council.
- This generates an additional £9.2m pa in additional income.

Consultations & Engagement

- Public via the website
- Scrutiny Committees throughout January
- Businesses, Trade Unions and public sector partners via meeting on 22nd January
- 7 public engagement meetings throughout the County in January



Any Questions?

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