

# Agenda Item 6

TABLED ITEM – EXECUTIVE 7 FEBRUARY 2017

## UPDATE TO THE COUNCIL BUDGET 2017/18

The following information on council tax and business rates has been received and further consultation events and comments have been held and received since the preparation of the original Executive Report.

Set out below is the additional information received on council tax and business rates from the Lincolnshire District Council's and the effect that this has on the proposed Council budget. A new version of **APPENDIX C** has been prepared to reflect the changes to the Council's budget. Any further amendments required to the Council's budget, in light of the outstanding information (for example the final Local Government Settlement which now expected on Monday 20 February and the final business rates section 31 grant from one district council), will be reviewed by the Leader under recommendation 4 to the original report.

**APPENDIX H** to the original report has been updated to include the consultation feedback from the Council's Scrutiny Committee's held in January 2017.

### Council Tax

#### Council Tax Base

1.2 District Councils have until 31 January 2017 to confirm the final position on their Council Tax Base and surplus/deficit position on the Council Tax element of the Collection Fund. The report to the Executive on 20 December 2016, assumed no increase in the council tax base and no collection fund surplus or deficit.

1.4 All seven District Councils have declared the final position on their Council Tax elements of their Collection Funds. There is a net surplus attributable to the County Council of £3.156m (previously £3.154m). This is a one off addition to income for 2017/18.

### Business Rates

The income from Business Rates is now estimated to be £104.923m (previously £104.093m); comprising £19.778m (previously £18.948m) actually collected by the seven District Council's in Lincolnshire and a top up grant of £85.145m from Central Government as the total business rates collected in Lincolnshire are not sufficient to cover local authority spending in the area.

1.7 The District Councils have until 31 January to provide business rates returns showing:

- The position on the business rates element of their collection funds; and
- The value of the section 31 compensation grant due to the County Council.

1.8 The report to the Executive on 20 December 2016, assumed no section 31 grant and no collection fund surplus or deficit.

1.9 Figures have now been received from all seven (previously three) District Councils of the position on the business rates element of the Collection Fund show a net deficit attributable to the County Council of £0.666m (previously a deficit of £0.473m). As with Council Tax any surplus or deficit from business rates collection will only have a one off effect on the 2017/18 budget. It is worth noting that only 10% of the business rates collected locally is passed to Lincolnshire County Council and any share of surpluses or deficits will be on this basis too.

1.11 Information on the section 31 grant has now been received from six of the seven District Councils (a number of the districts have experienced difficulties with software upgrades which has delayed the return of this information). The value of the section 31 compensation grant for the County Council is estimated to be £2.552m for 2017/18; this includes:

- £0.260m from the RPI cap on the locally retained element of the business rates (for six of the seven district council areas);
- £1.280m from the RPI cap on the top up element of the business rates. Note the value of this element of the grant is still to be confirmed by central government; and
- £1.012m to cover the extension of the small business rates relief and the new rural rates relief (for six of the seven district council areas).

Under recommendation 4 of this report any changes from the last business rates return from the district councils will be reviewed by the Leader and incorporated into the Executive's budget recommendations to County Council.

### **Revenue Budgets**

The original budget proposals presented to the Executive on 20 December 2016 included the removal of budget used to support the Citizens Advice Bureau (CAB) from 1 April 2017, with financial support to this service coming from reserves for at least a further two years. At its meeting on 3 January the Executive revised this proposal to continue to support CAB at a 10% reduction (£0.068m) for at least one year with the use of reserves, whilst fully reviewing the impact of this budget change.

### **Implications of additional revenue income and changes to expenditure**

1.18 The current net increase in income from growth in the council tax base, plus the surplus on the council tax collection fund, less the deficit on the business rates collection fund has increased the Council's income for 2017/18 by £9.586m (previously £6.397m). Changes to grants and revenue expenditure noted above have added additional costs of £1.527m to the Council's budget.

1.19 The Executive is therefore asked to consider the potential use of this net additional income of £8.059m (previously £4.870m). This additional income could be used:

- To reduce the amount of funding required from the Financial Volatility Reserve to set a balanced budget in 2017/18;
- To fund additional spending by the Council or reduce the savings required to be made; or
- To reduce the planned increase in Council Tax of 3.95%.

1.20 It is recommended that this net additional funding is used to reduce the contribution required from the Council's Financial Volatility Reserve to meet the 2017/18 budget shortfall. Overall levels of funding to local government are reducing and will continue to reduce in future years. Use of this funding to smooth the effect of these reductions will allow the Council more time to develop robust new service models. Continuing to reduce service spending while securing additional income from an increase in Council Tax, by 3.95% should make the Council more resilient to the pressures caused by reduced funding.

1.21 Whilst the use of this additional income reduces the originally proposed contribution from the Financial Volatility Reserve from £26.359m to £18.300m (previously £21.489m) there still remains uncertainty regarding the final position on business rates section 31 grants for 2017/18. It remains the fact that the level of usable reserves will be significantly diminished by the end of 2017/18 and the Council will face further challenges to set a balanced budget for 2018/19 as government funding reduces further. It remains prudent to retain resources within this reserve to deal with these uncertainties and challenges. It is this recommendation that is reflected in the budget at **APPENDIX C**.

### **Final Local Government Finance Settlement**

1.34 The government grant allocations assumed in the budget proposals are those announced in the Provisional Local Government Finance Settlement. These allocations may be altered in the Final Settlement, although major changes are not expected. The Final Settlement is now not expected until Monday 20 February.

Under recommendation 4 of this report any changes from the Final Local Government Finance Settlement will be reviewed by the Leader and incorporated into the Executive's budget recommendations to County Council.

### **Consultation**

1.36 Consultation comments made so far on the budget proposals and the ways in which these are reflected in the final proposals, are detailed in **APPENDIX H**. The Executive must consider these comments in arriving at its recommendations in relation to the final budget.

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