

## **COUNTY COUNCIL MEETING – 18 DECEMBER 2015**

**Statement from: Councillor M S Jones – Executive Councillor for Finance and Property**

### **FINANCE MATTERS**

#### **Financial Challenge Budget Review & Future Revenue Budgets / Capital Programmes**

Members will be aware that the Council continues to face significant budget pressures going forward coupled with a sustained reduction in general funding from Government. The Spending Review announcement on 25 November indicates that Government funding to local government via the revenue support grant will reduce by a further 56% in real terms over the next 4 years. The precise impact on our Government funding will be known when the provisional local government grant settlement is announced which, at the time of writing, is expected sometime in the two weeks prior to Christmas. Many members attended a briefing session on 22 October which gave detailed information on both the overall financial position but also on the service by service issues, pressures and initial savings options. Many members who are on our Scrutiny Committees will have attended service area specific detailed workshops over the past few weeks to look at service pressures and potential savings initiatives.

The Spending Review provided no direct additional funding for cost increases on Council services as a direct result of the introduction of the national living wage. This is estimated to cost the Council up to £30m annually by the end of 2019/20. The ability to increase council tax by an additional 2% pa for the next 4 years was included within the Spending Review. The additional funding has to be used for adult care pressures and would amount to £4.5m pa (or £18m after 4years) if the Council approved such an increase. Additional funding for adult care through the Better Care Fund is also promised from 2017 onwards provided certain conditions relating to the progress with the health integration agenda is made. Reference was also made to reprofiling the allocations of New Homes Bonus going forward to release up to £800m by 2020 for adult care services. Details on this are awaited but there will be an element of protection for those authorities, presumably Districts, who will experience reduced funding. Some flexibility has been announced in terms of using capital receipts for revenue purposes where the expenditure relates to transformational work. Further detail is expected as part of the forthcoming grant settlement. Public Health grant will be reduced annually going forward of around 4% pa in real terms with the grant remaining ring-fenced for the next two years. Thereafter it is suggested funding will be from local business rate income.

The latest edition of County News and an online survey are seeking feedback from the wider public on their views regarding possible service rationalisations in light of reduced funding. Early indications are that we are receiving a lot of helpful feedback. Further public engagement sessions are planned for January.

The initial budget proposals will be informed by all these announcements together with engagement feedback from Scrutiny workshops and the public survey and will be considered by the Executive on 5 January 2016. They will then be the subject of a further one month engagement exercise which will include consideration by each Scrutiny Committee, a meeting with all external stakeholders, and views from the public via the web and the aforementioned public engagement sessions.

### **A New Funding Basis for Local Government**

The Chancellor announced at Conservative Party Conference in October that by the end of the current Parliament in 2020 local authorities will be able to retain 100% of locally generated business rates and Revenue Support Grant (RSG) would be phased out. This intention was reaffirmed in the Spending Review announcement. Business rate income at £26bn nationally is around twice the value of RSG. The Government have indicated that additional powers will be delegated to local government to absorb the balance of funding. A mechanism will need to be developed to deal with areas where total retention of business rate income does not cover the present level of RSG – the combined County/District deficit in Lincolnshire is around £38m. There will be scope to reduce the business rate multiplier locally but very little scope to increase it. A lot of work is required over the next few years to ensure an equitable and sustainable regime for funding local government emerges from this initiative.

### **Business Rate Pooling 2016/17**

The present financial regime for local government allows groups of local authorities, generally a County Council and some (or all) its Districts, to pool business rate income in their area as a means of collectively avoiding paying a levy to Government on excess rates collected above Government predictions. The mechanics of the arrangement are quite complicated but in 2013/14 the County Council entered a pooling arrangement with South Holland and North Kesteven. In 2014/15 a pool was established with North Kesteven, South Kesteven, East Lindsey, City of Lincoln and Boston Borough. In the current year the pool comprises all Districts apart from South Holland. The pools have been successful in retaining some business rates locally that otherwise would have gone to Central Government – around £700k is the predicted County Council share this year. However, the parameters and rules for next year have not yet been announced and clarity in this regard is expected as part of the forthcoming grant settlement. The default position is that the current pool continues unless it is wound up by the participants within 28 days for the provisional grant settlement. The position of the pool going forward is presently under review.

## **CORPORATE PROPERTY**

This year there has been significant rationalisation of the office estate. 850 employees have been moved into more efficient and cheaper office accommodation. Vacating City Hall alone will save £500,000 per annum. Corporate Property has identified further savings from leasehold accommodation and another two-year programme of rationalisation has begun. To enable this, Lancaster House (former DWP building on Orchard Street) has been purchased and this will allow expensive leased property to be released

Capital receipts continue to be generated through the sale of surplus assets and this includes the recent successful sale of Castle Moat House in Lincoln

The Property Services contract with VINCImouchel has been in place for seven months and is performing well. A key part of the contract is a continuous improvement programme and this covers all areas of the contract including processes and communications.

Lincolnshire County Council has been successful in its bid to Government for funding for entry into the National One Public Estate Programme. The bid was made on behalf of the Greater Lincolnshire Partnership and will provide funding to enable local and national public bodies, including the MoD and NHS, to work together to utilise property assets more effectively in support of economic growth in the County.

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