

Agenda Item 6

TABLED ITEM – EXECUTIVE 6 FEBRUARY 2018

UPDATE TO THE COUNCIL BUDGET 2018/19

The following information on business rates, two government grants and further consultation comments from the public have been received since the preparation of the original Executive Report.

Set out below is the additional information received on business rates from the Lincolnshire District Councils, the two grants and the effect that this has on the proposed Council budget. A new version of **APPENDIX D** 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 later this week), will be reviewed by the Leader under recommendation 4 to the original report.

APPENDIX I to the original report has been updated to include further consultation feedback from the public.

Business Rates

1.9 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.

1.10 The report to the Executive on 19 December 2017, assumed no section 31 grant and no collection fund surplus or deficit.

1.11 Figures have now been received from all seven (previously one) District Councils of the position on the business rates element of the Collection Fund. This shows a net deficit attributable to the County Council of £0.174m. As with Council Tax any surplus or deficit from business rates collection will only have a one off effect on the 2018/19 budget.

1.12 The Government confirmed that it will compensate local authorities in full for the continuation of the business rates cap, small business rate relief and rural rate relief would continue through a section 31 grant, as in previous years.

1.13 Information on the section 31 grant has now been received from all seven (previously one) District Councils. This grant for the County Council has been calculated to be £10.826m (£2.753m in 2017/18). This is made up of:

- £1.445m 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;
- £1.713m from the RPI cap in the locally retained element of the business rates; and
- £7.668m to cover the small business rates relief and rural reliefs.

Government Grants

The Council has been notified of two grants from government which have been incorporated into the Council's budget:

- Extended Rights to Free Travel (£0.639m), £0.007m, more than originally assumed; and
- Special Educational Needs and Disability (SEND) implementation grant for the 15 month period January 2018 to March 2019 (£0.323m), of which £0.259m has been budgeted for in 2018/19. Note this grant does not impact on the overall Council budget as matching expenditure is created in Children's Services budgets.

Implications of additional revenue income and changes to expenditure

1.16 The current net increase in income from the changes to Business Rates income and grants set out above has increased the Council's income for 2018/19 by £21.487m (previously £13.023m).

1.17 The Executive is therefore asked to consider the potential use of this additional income. This could be used:

- To reduce the amount of funding required from the Financial Volatility Reserve to set a balanced budget in 2018/19;
- 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 4.95%.

1.18 It is recommended that this net additional funding is used to reduce the contribution required from the Council's reserves to meet the 2018/19 budget shortfall. There is still uncertainty regarding the outcomes of the final position on the business rates income, particularly on the expected deficit on the collection fund. 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 4.95%, should make the Council more resilient to the pressures caused by reduced funding.

1.19 Whilst the use of this additional income reduces the originally proposed contribution from reserves from £30.875m to £5.780m in 2018/19 there still remains uncertainty regarding the final position on business rates, collection fund surplus/deficit and section 31 grant. It remains the fact that the level of usable reserves will be significantly diminished by the end of the decade and the Council will face further challenges to set a balanced budget beyond this date as there is significant uncertainty over levels of funding beyond the four year deal. It remains prudent to retain resources within the Financial Volatility Reserve to deal with these uncertainties and challenges. It is this recommendation that is reflected in the budget at **APPENDIX D**.

Final Local Government Finance Settlement

1.29 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 expected later this week.

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

1.33 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 I**. The Executive must consider these comments in arriving at its recommendations in relation to the final budget.

APPENDIX D (Revised – tabled at Executive Meeting)

Commissioning Strategy Revenue Budgets	2017/18	2018/19	2019/20
	£m	£m	£m
Readiness for School	4.969	4.785	4.798
Learn & Achieve	33.476	34.024	34.858
Readiness for Adult Life	4.778	6.464	6.510
Children are Safe & Healthy	62.713	65.397	66.893
Adult Safeguarding	4.146	4.167	4.189
Adult Frailty, Long Term Conditions & Physical Disability	120.296	120.598	122.123
Carers	2.304	2.464	2.389
Adult Specialities	62.114	65.510	68.259
Wellbeing	27.131	27.152	26.992
Community Resilience & Assets	9.996	10.082	10.137
Sustaining & Developing Prosperity Through Infrastructure	40.237	40.670	40.136
Protecting & Sustaining the Environment	25.061	24.853	25.124
Sustaining & Growing Business & the Economy	1.274	1.291	1.308
Protecting the Public	22.441	22.921	23.107
How We Do Our Business	8.621	7.424	7.491
Enablers & Support to Council Outcomes	35.747	40.424	41.118
Public Health Grant Income	-33.524	-32.662	-31.800
Better Care Funding	-34.497	-40.044	-46.343
Other Budgets	60.169	50.960	58.474
Schools Block	391.879	410.338	410.338
High Needs Block	79.688	81.133	81.133
Central School Services Block	4.109	4.207	4.207
Early Years Block	36.698	40.503	40.503
Dedicated Schools Grant	-515.050	-538.857	-538.857
Total Net Expenditure	454.776	453.804	463.087
Transfer to/from Earmarked Reserves	-17.870	-5.780	-33.998
Transfer to/from General Reserves	-0.100	-0.400	0.200
Budget Requirement	436.806	447.624	429.289

APPENDIX I (Revised – tabled at Executive Meeting)

Public Consultation – Comments received from Members of the Public

We have received a number of responses to the budget proposals consultation from members of the public.

The main points from the responses received are as follows:

- Concern expressed in relation to reduced funding to the Citizens Advice Bureaux.