

Agenda Item 6

COUNTY COUNCIL MEETING – 13 SEPTEMBER 2013

Statement from: Councillor M J Hill OBE– Leader and Executive Councillor for Policy, Finance, Property, Communications, Procurement and Commissioning

Finance Matters

Spending Round 2015/16 and Related Consultations

I summarised the Chancellor's announcements from the 26th June 2013 Spending Round in my statement to the July Council. Since that time the Government has initiated a number of consultations following those announcements that impact materially on the finances of this Council. I have summarized the three most significant ones below:

Local Government Finance Settlement 2014/15 & 2015/16 – Technical Consultation

This consultation gives early information on the local government finance settlement for the next two years. The information relating to next year is in line with our expectations when we set a provisional budget for that year at the February 2013 Council. The information for 2015/16 indicates the likely impact on the Council of the 10% reduction in funding for local government announced in the Spending Round on 26th June. The actual funding reduction is not 10% but 14.3% in our case. In addition, that percentage reduction is applied to a much larger quantum of funding than originally believed. That is, it is applied to the sum of local business rates income plus revenue support grant and not just revenue support grant, albeit the actual reduction is made solely to revenue support grant (RSG) as the government has no direct access to local business rates income. For Lincolnshire the combined impact of these factors means that the projected funding reduction for 2015/16 is not 10% of £122m (ie. RSG) but 14.3% of £223m (i.e. RSG plus local business rates). The funding loss is therefore £31.9m and not £12.2m as originally envisaged. In addition, a number of what appeared to be 'new' funding streams announced in the Spending Round (such as £335m nationally as an initial contribution to the Dilnot reforms in Adult Care) are not in fact new funds but simply a further top-slicing of the RSG.

The Council will make strong representations to Government on the inadequacy of these funding proposals.

New Homes Bonus & the Local Growth Fund – Technical Consultation

The June Spending Round announced that in 2015/16 £400m of national funding of New Homes Bonus to local government would be diverted from local government and into the Single Local Growth Funds overseen locally by LEP's. This level of funding represents around 34% of the available funding in that year. New Homes Bonus is presently paid to both District and County Councils with the former getting 80% of the

funding in any two tier area. The total New Homes Bonus predicted for the County in 2015/16 is £14.7m with £2.9m coming to the County Council and £11.8m to the Districts.

The Government is now consulting on two methods for generating the required £400m. The first method is simply to reduce every Council's allocation by 34%. The second method is to reduce the allocation to upper tier authorities to zero with the balance coming from Districts. This would result in Districts losing around 19% of their New Homes Bonus rather than 34% under the first option. The rationale for the second option appears to be that upper tier authorities are better placed to stand the loss of funding than lower tier. This Council will make strong representations against the second option.

Proposals for the use of Capital Receipts from Asset Sales to Invest in Reforming Services – Consultation

This consultation seeks views on a proposal to change the restriction on the use of capital receipts (i.e. cash from the sale of assets such as land & buildings) to allow them to be applied to invest as one-off revenue costs relating to the transformation of services. An example of such costs would be redundancy and pension strain charges. It is suggested there are merits in principle with this proposal but the consultation envisages a relatively bureaucratic process of bidding to Government for appropriate permissions (but no funding) with the Government setting an annual ceiling on the quantum of permissions granted. The proposal also envisages, somewhat unrealistically, that the Council would pre-identify which assets it would sell when to fund the costs involved. The Council will respond by supporting the principle but seeking a more streamlined process to govern its operation.

Corporate Property Rationalisation Programme

Property area reviews and rationalisation have taken place and are continuing around the county.

Rationalisation Projects completed to date have resulted in 17 properties being returned to the landlords. Two freeholds have been sold and ten more are ready for disposal. Over ten thousand square metres of floor space (13%) has been released since the beginning of the programme.

The closure of Skegness Ida Road is in progress with the Registrar's service already relocated to Skegness Business Centre, and receiving positive feedback from service and customers. LCC and East Lindsey District Council will be working together to provide a joint customer access point at Skegness Town Hall. In Bourne several LCC services including the library are now working jointly in a 'one-stop shop' with Health and District partners in the centre of the town.

FDSS

The FDSS programme of work to replace the existing Mouchel contract is on track, with constructive discussions taking place with the three shortlisted firms in the competitive dialogue. Other aspects of the existing contract will be put out to the market in November and also during 2014.

Electoral Review

The Boundary Commission has notified the Council that they will be carrying out an electoral review for Lincolnshire.

The first part of this will be consideration of the Council's size; i.e. the number of seats. This will involve written evidence by the Council and public consultation.

Work will be led by the Executive Director (Performance and Governance). There will be engagement with Group Leaders and the submission will be reported to full Council for debate in December before it is finalised.

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