

To All Members of the County Council



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Ask for:
Date: 10 February 2016

Dear Member

Final Local Government Finance Settlement, Business Rates Tax Base and Collection Fund Balances

The final local government finance settlement was announced on 8th February. The announcement included additional enhancements to the provisional settlements for those authorities most adversely affected by the changes to Revenue Support Grant (RSG) and for rural areas. These enhancements came via a separate transitional grant for 2016-17 and 2017-18 (KCC's share £5.7m out of £150m nationally), enhanced rural services delivery grant for 2016-17 and 2017-18 (KCC is not eligible for this grant) and reversing the negative RSG allocations for some authorities from 2017-18 onwards (not applicable to KCC). There was also a small change to New Homes Bonus grant allocations for 2016-17 onwards. These changes need to be included in the final budget presented to county council and in the revised motion.

The published papers for county council did not include the final business rate tax base notifications from some districts or the final notified business rate and council tax collection fund balances. The final business rate tax base is £0.7m lower than previously estimated, the business rate collection fund balance is £0.1m lower than we estimated and council tax collection fund £0.5m higher. These need to be included in the final budget presented to county council and in the revised motion.

The overall impact of these changes increases net funding for 2016-17 by £5.4m. The revised motion proposes to reduce the amount to be drawn down from reserves from £12.2m to £6.8m. This increases the net budget requirement to £911.050m consistent with funding available. The impact is limited to one line on financing items in the final draft budget book, line 141 page 63, with the net cost for this line increasing from minus £11,696.7k to minus £6,285.5k.

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The proposed reduced draw down from reserves is recommended in light of the continuing uncertainty around the budget over the medium term. The previous draft medium term financial plan (MTFP) showed that £56.9m of the savings needed in 2017-18 to compensate for the shortfall between forecast spending demands, reductions in central government funding and forecast council tax/business rates were yet to be identified. Reducing the drawdown from reserves in 2016-17 reduces the replacement for use of reserves in 2017-18 by £5.4m from £16.3m to £10.9m. This combined with the changes in transitional grant, New Homes Bonus and business rate tax base reduces the unidentified savings by £5.0m from £56.9m to £51.9m.

The impact on the 2016-17 draft budget is reflected in a revised section 4 of the budget book produced as annex 1 to this revised motion. The impact on the MTFP is reflected in a revised appendix A (i) produced as annex 2 to this revised motion. The other consequential changes to the budget book are set out in the revised recommendations. The consequential changes to other sections of the MTFP will be reflected in the final version produced in March.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Sass', written in a cursive style.

Peter Sass
Head of Democratic Services

Recommendations:

The County Council is asked to take note of the supplementary summary of the final local government finance settlement, business rate tax base, and collection fund balances by agreeing the following:

- (a) Net revenue budget requirement of £911.050m for 2016-17**
- (b) Capital investment proposals of £708.896m over three years from 2016-17 to 2018-19 together with the necessary funding and subject to approval to spend arrangements
- (c) The Treasury Management Strategy as per section 5 of the Medium Term Financial Plan
- (d) Prudential Indicators as set out in Appendix B to the Medium Term Financial Plan
- (e) The Revised Minimum Revenue Provision (MRP) Statement as set out in Appendix C to the Medium Term Financial Plan including the revised policy regarding debt repayment
- (f) The directorate revenue and capital budget proposals as set out in draft Budget Book published on 3rd February **(as amended by recommendation g below)** and delegate responsibility to Cabinet Members and Corporate Directors to manage the budget within the parameters set out in the Constitution and Financial Regulations
- (g) Revised section 4 of the budget book produced as annex 1 to the supplementary summary and revised entry for “contributions to/from reserves” in section 5 (line 141, page 63) to minus £6,285.5k**
- (h) The proposed retention of pension assets and liabilities for the Property LATCo set out in paragraph 2.7
- (i) To increase council tax band rates up to the maximum permitted without a referendum as set out in paragraph 2.5 table 1
- (j) To raise the additional 2% social care precept (£11,205,228 of the precept set out in (m) below)
- (k) The total council tax requirement of £583,181,198 to be raised through precepts on districts as set out in section 2 of the Budget Book

In addition:

- (l) To note that the Cabinet Member for Corporate and Democratic Services will determine the TCP reward thresholds for staff assessed as achieving, achieving above, and outstanding, and to set the recalibration of the pay ranges and minimum reward/increase to the bottom of KR2, within the 2% funding approved
- (m) To delegate authority to the Corporate Director of Finance & Procurement (in consultation with the Deputy Leader/Cabinet Member for Finance & Procurement and the political Group Leaders) to resolve any minor technical issues for the final budget publication which do not materially alter the approved budget or change the net budget requirement
- (n) The changes made in (m) above **(including other consequential changes arising from the final local government finance settlement, business rate tax base and collection fund balances)** to be reflected in the final version of the Budget Book and MTFP due to be published in March

- (o) To note the financial outlook for 2017-18 and 2018-19 with further anticipated funding reductions and spending demands necessitating additional savings the vast majority of which are yet to be identified

**ANNEX 1:
Revision to Budget Book Section 4 - Directorate Revenue Budget Summary**

WHO IS RESPONSIBLE FOR THE BUDGET ?

REVENUE SPENDING

Row ref	2015-16 Revised Base Budget (Net Cost) £000s	Directorate	2016-17 Proposed Budget							
			Staffing	Non Staffing	Gross Expenditure	Internal Income	External Income	Grants	Net Cost	Net Change
			£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
1	68,788.1	Education and Young People Services (excluding delegated budgets)	59,074.3	210,675.3	269,749.6	-26,452.8	-20,043.3	-158,468.7	64,784.8	-4,003.3
2	0.0	Education and Young People Services - delegated budgets for schools and pupil referral units	486,679.5	185,102.4	671,781.9	0.0	-49,998.3	-621,783.6	0.0	0.0
3	169,984.1	Growth, Environment and Transport	46,906.0	151,240.2	198,146.2	-1,613.1	-30,353.8	-2,583.3	163,596.0	-6,388.1
4	483,092.4	Social Care, Health and Wellbeing	150,230.9	610,169.1	760,400.0	-19,450.5	-116,564.0	-133,308.0	491,077.5	7,985.1
5	70,572.0	Strategic and Corporate Services	56,596.8	74,447.7	131,044.5	-39,116.9	-17,778.7	-7,219.8	66,929.1	-3,642.9
6	124,041.9	Financing Items	7,800.0	134,051.0	141,851.0	0.0	-17,152.7	-36.0	124,662.3	620.4
7	916,478.5	BUDGET REQUIREMENT	807,287.5	1,365,685.7	2,172,973.2	-86,633.3	-251,890.8	-923,399.4	911,049.7	-5,428.8
8	916,478.5	<i>BUDGET REQUIREMENT (excl Schools Budgets)</i>	320,608.0	1,180,583.3	1,501,191.3	-86,633.3	-201,892.5	-301,615.8	911,049.7	-5,428.8
		Funded by:								
9	-549,034.0	Council Tax Yield							-583,181.2	-34,147.2
10	-7,078.5	Council Tax Collection Fund							-11,202.9	-4,124.4
11	-49,227.0	Local Share of Business Rates							-51,413.5	-2,186.5
12	-450.6	Business Rates Collection Fund							2,136.6	2,587.2
		<u>Un-ringfenced Grant</u>								
13	-161,005.1	Revenue Support Grant							-111,424.6	49,580.5
14	0.0	Transitional Grant							-5,682.3	-5,682.3
15	-122,939.1	Business Rate Top-Up							-123,963.5	-1,024.4
16	-3,341.7	Business Rate Compensation Grant							-3,341.7	0.0
17	-13,750.0	Education Services Grant							-12,375.0	1,375.0
18	-7,886.2	New Homes Bonus (NHB) & NHB Adjustment Grants							-9,305.9	-1,419.7
19	-1,766.3	Other Un-ringfenced Grant							-1,295.7	470.6
20	0.0	TOTAL	807,287.5	1,365,685.7	2,172,973.2	-86,633.3	-251,890.8	-923,399.4	0.0	0.0

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ANNEX 2:
Appendix A (i) - High Level 2016-19 Budget Summary

2015-16			2016-17		2017-18		2018-19	
£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s
	940,313	Revised 2015-16 Base Budget		916,479		911,050		888,607
		Additional Spending Pressures						
9,210		Net budget realignments from previous year	10,994		239		110	
12,557		Replacement of one-off use of reserves to fund base budget	12,379		10,852		1,700	
11,363		Pay & Prices	25,767		26,409		26,631	
9,600		Demand & Demographic	10,333		15,563		19,837	
20,672		Government & Legislative	4,939		1,500		0	
8,275		Service Strategies and Improvements	10,921		4,281		994	
	71,677	Total Pressures		75,333		58,843		49,271
		Savings & Income						
		<u>Transformation Savings</u>						
-14,725		Adults Transformation Programmes	-10,228		-3,740		-1,615	
-5,583		Children's Transformation Programmes	-3,220		-991		-395	
-6,990		Other Transformation Programmes	-3,176		-2,379		-1,272	
-16,634		Income Generation	-6,999		-3,019		-1,275	
		<u>Efficiency Savings</u>						
-9,512		Staffing	-5,097		-2,257		0	
-2,522		Premises	-1,444		-1,056		0	
-16,316		Contracts & Procurement	-11,539		-3,960		0	
-1,004		Other	-9,112		-3,656		-60	
-17,440		Financing Savings	-22,664		-1,700		0	
-4,785		Policy Savings	-7,283		-6,594		-3,005	
	-95,511	Total Savings & Income		-80,761		-29,352		-7,622
		Public Health & Other Grants						
11,894		Government & Legislative pressures	13,857		0		0	
0		Reduction in grants used for specific purposes (estimate)	5,633		0		0	
-11,894		Increases in Grants and Contributions	-13,857		0		0	
0		Policy Savings	-5,633		0		0	
	0			0		0		0
	0	Unidentified		0		-51,935		-31,128
	916,479	Net Budget Requirement		911,050		888,607		899,129
		<u>Funded by</u>						
		<u>Un-ringfenced Grants</u>						
161,005		Revenue Support Grant	111,425		66,476		37,640	
N/A		Transition Grant	5,682		5,685		0	
122,939		Business Rate Top-Up Grant	123,964		126,402		130,131	
26,744		Other un-ringfenced grants (estimate)	26,318		25,151		37,378	
49,227		Local Share of Retained Business Rates (estimate)	51,414		52,358		53,801	
451		Business Rate Collection Fund (estimate)	-2,137					
549,034		Council Tax Yield	571,976		589,434		604,648	
N/A		Proposed Social Care Precept	11,205		23,102		35,531	
7,079		Council Tax Collection Fund (estimate)	11,203		0		0	
	916,479	Total Funding		911,050		888,607		899,129

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