

Scrutiny Committee

19th January 2016

Evolution of Budget 2016/17 and Medium Term Financial Plan 2016-19

Andy Wood

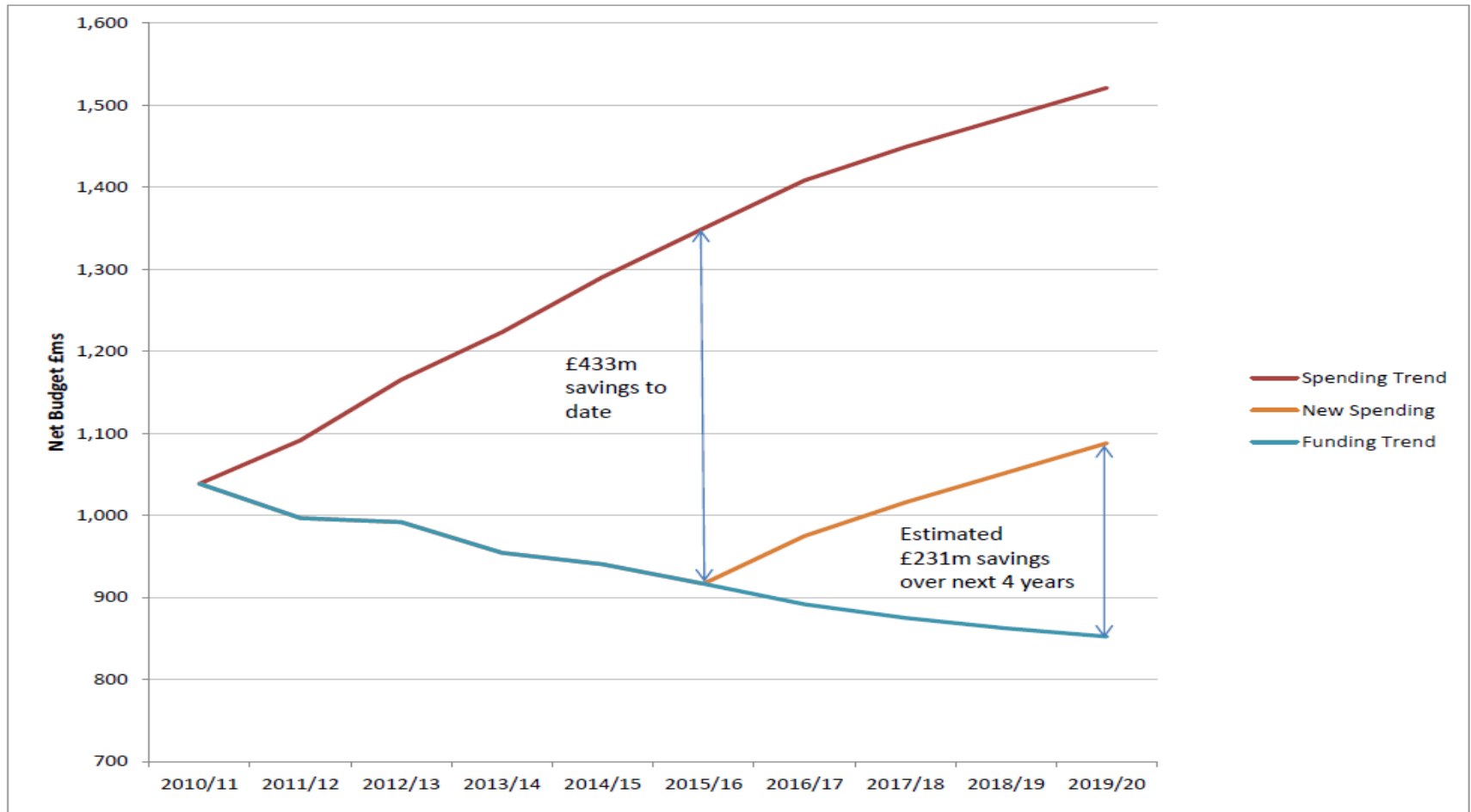
Corporate Director, Finance & Procurement

Evolution of the Budget Proposals

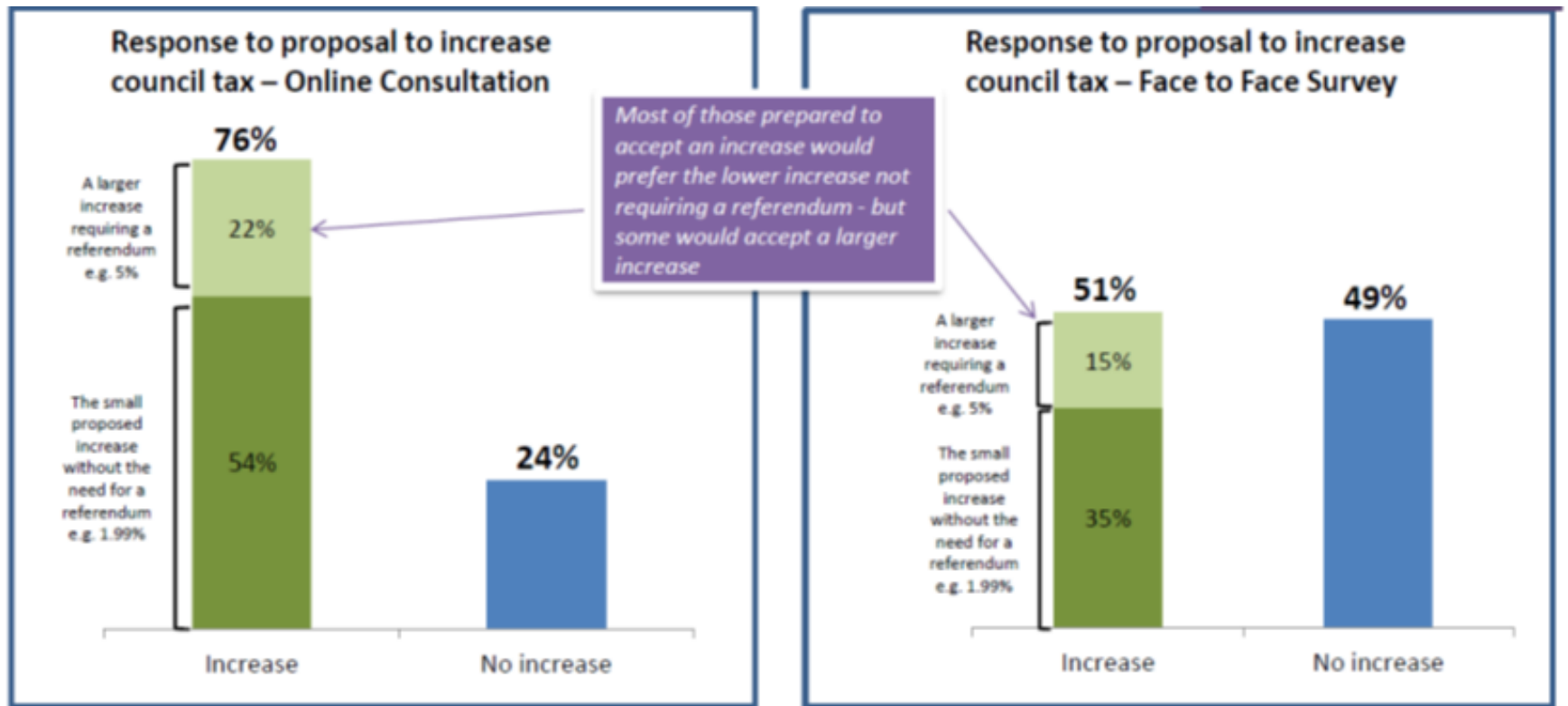
- Adjusted 2015-18 MTFP (basis of consultation):
 - Reductions in central Government funding £32.9m
 - Additional spending demands £58.4m
 - Total = £91.3m

 - Increase in council Tax
(1% base + 1.99% + zero collection fund) £10.4m
 - Savings £80.9m
 - Total = £91.3m
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KCC projection for consultation



Consultation – Council Tax



Bases: Face to face survey = 757 respondents, Online consultation = 1693 respondents.

Question: KCC is proposing a small increase in Council Tax to contribute towards the additional spending demands being placed on council services and to provide some protection for local services from the savings that would otherwise need to be found...How much Council Tax would you be willing to pay towards the financial challenge the authority faces next year?. Illustrations of the equivalent monetary increase per week and per year were given. The "No increase" option was framed as "No increase and make equivalent cuts to and make equivalent cuts to services (of around £11m per year) on top of the estimated £80m already needed to balance the budget

Published Spending Power

- This is the information published by DCLG on 17th December

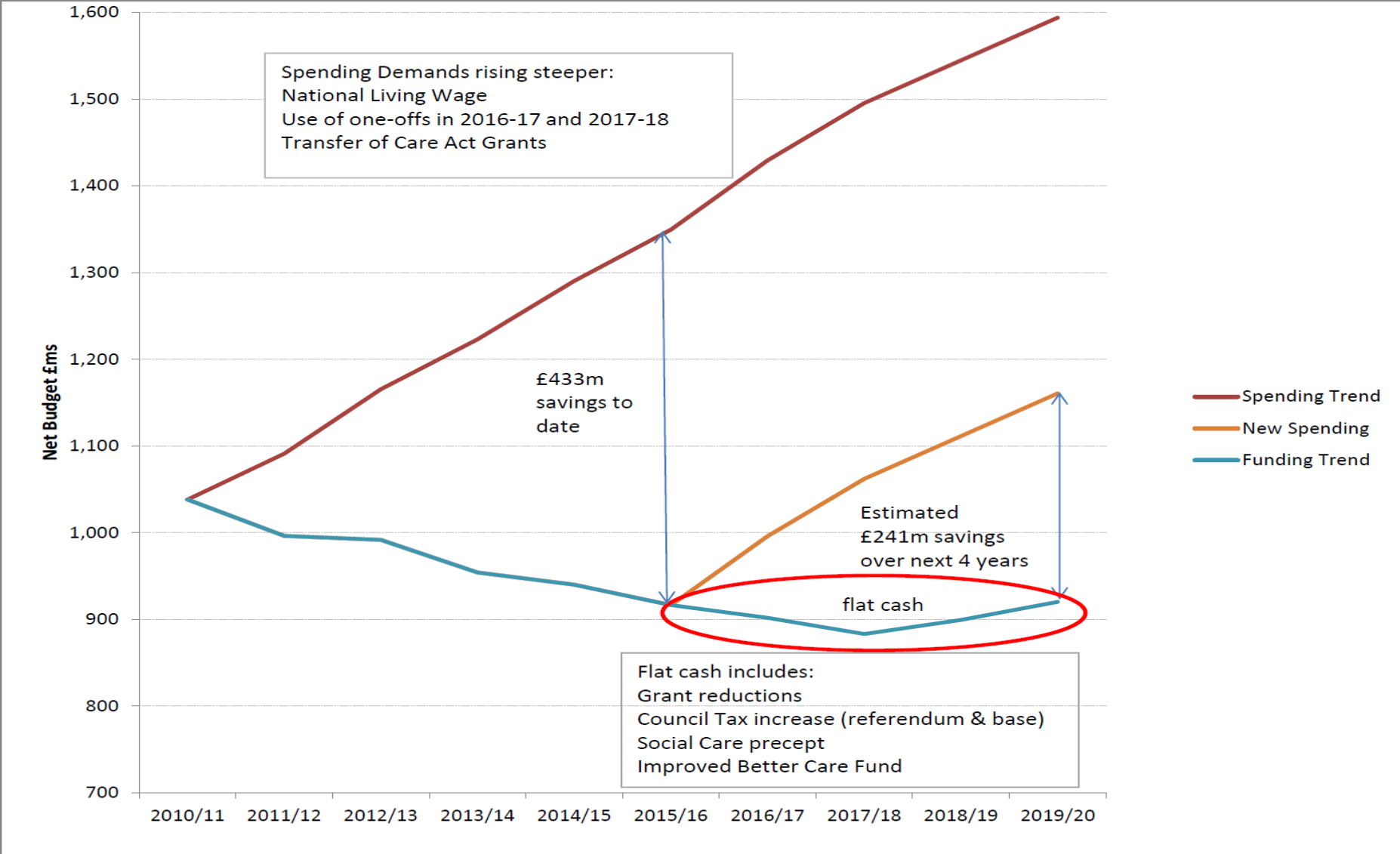
Core Spending Power of Local Government;					
	2015-16 (adjusted)	2016-17	2017-18	2018-19	2019-20
	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment	340.0	283.4	241.8	218.2	195.8
Council Tax of which;	549.0	577.2	609.7	644.6	682.2
<i>Council Tax Requirement excluding parish precepts (including base growth and levels increasing by CPI)</i>	549.0	566.0	586.3	608.0	631.1
<i>additional revenue from 2% referendum principle for social care</i>	-	11.2	23.3	36.6	51.1
<i>additional revenue from £5 referendum principle for lower quartile districts Band D Council Tax level</i>	-	-	-	-	-
Improved Better Care Fund	-	-	0.3	17.5	33.7
New Homes Bonus and returned funding	7.9	9.3	9.4	5.9	5.7
Rural Services Delivery Grant	-	-	-	-	-
Core Spending Power	896.9	869.9	861.1	886.2	917.3
Change over the Spending Review period (£ millions)					20.4
Change over the Spending Review period (% change)					2.3%

Real Spending Power

- However, the published power does not take into account additional spending (largely imposed)

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Change in funding (council tax and government grants) from above		-27.1	-8.7	25.0	31.1
Additional Spending Demands		-67.2	-66.1	-66.8	-66.8
Real Change in Spending		-94.3	-74.8	-41.8	-35.7
Real Change over the Spending Review period (£ millions)					-246.5
Real Change over the Spending Review period (% change)					-27.5%

KCC latest projection



Budget and Spending Pressures

• Pay & Prices	£17m
• Demography	£26m
• Service strategies and transformation	£7m
• Government imposed changes	£18m
• Replace one-off savings from 15/16	<u>£12m</u>
• Total	<u>£80m</u>

See Pages 35 to 38 of the draft MTFP for more details

Revenue Support Grant Cut

Spending Review showed the likely scale of grant reductions.....or so we thought:

	15/16	16/17	17/18
	£bn	£bn	£bn
LG DEL	11.5	9.6	7.4
% reduction		16.5	22.9

But the eagle eyed Mr Shipton spotted some protected elements of the £11.5bn, so we went for;

% reduction		22.6	39.5
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Revenue Support Grant Cut

	£m
2015/16 Revenue Support Grant	161
Care Act Grants added in	8
<u>2015/16 RSG re-based</u>	<u>169</u>
Grant cut was actually 27.6% , so RSG=	123
We had assumed	<u>130</u>
So, worse-off by	7
BUT worse was to follow.....	

Revenue Support Grant Cut - Redistribution

Government Objectives?

Average grant cut 27.6%

Impact of redistribution:

- Average cut for County Councils 34.1%
- Average cut for Inner London 21.5%
- Average cut for Shire Districts 38.4%
- Average cut for Met Unitaries 24.0%

Redistribution

Average England cut	27.6%
County average cut	34.1%
KCC cut	34.3%
Dorset (biggest CC cut)	47.3%
Bucks	46.4%
Surrey	42.1%
Norfolk (smallest CC cut)	26.1%

Impact of Redistribution

- Kent

KCC Band D Council Tax	£1,089.99	-34.3% RSG
Kent Districts mean Band D Tax	£329.39	-41.8% RSG
Kent Fire Band D Council Tax	£70.65	-16.9% RSG
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Total	£1,490.03	
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- Westminster £672.74 -19.7% RSG
- Wandsworth £677.65 -20.6% RSG
- Hammersmith & Fulham £1,022.81 -22.3% RSG
- We are concerned that London authorities will not need to use Council Tax powers but we will have to and still need to find significant savings

Settlement - Impact

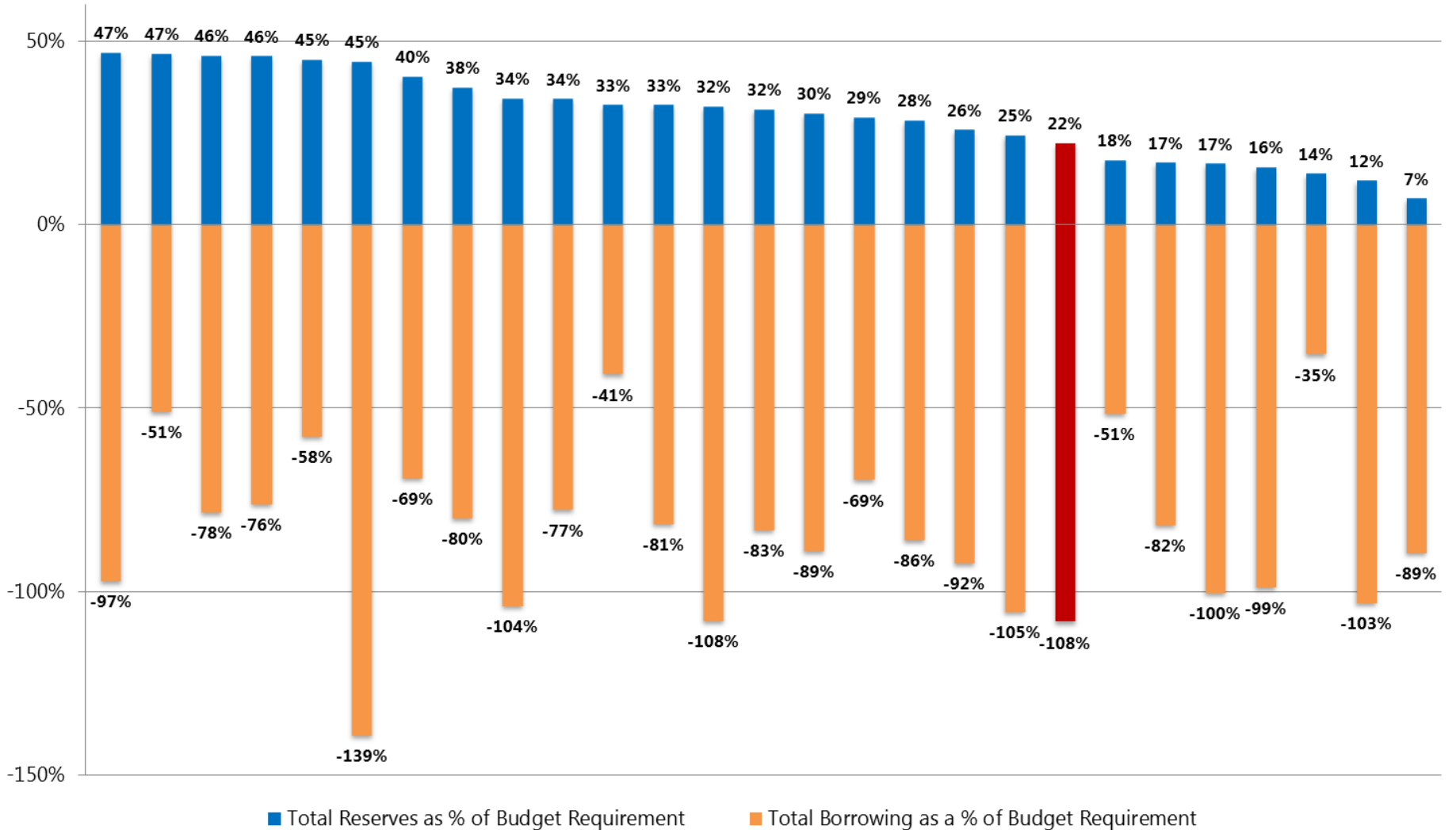
£m

Reduction in RSG due to Redistribution	11
Unexpected Grant Cut at average rate	<u>7</u>
‘UNEXPECTED’ CUT IN 16/17	<u>18</u>

Solution

- As set out in the Budget Book and MTFP
- Difficult to deal with £18m last-minute reduction
 - Higher draw-down of reserves, some of which will need repaying in future years
 - Council tax base better than expected
 - £4m yet to be identified, but.....
 - Capital Receipts flexibility?

2014-15 Reserves (Excl. Schools) as a % of 2015-16 Budget Requirement v 2014-15 Total Borrowing as a % of 2015-16 Budget Requirement



Impact 2017/18

	£m
Spending Pressures	46
Loss of one-off 16/17 solutions	20
Further grant reductions	45
Council Tax base growth	-3
Budget gap	108
Solutions?	
- Increase Council Tax by 1.99%	12
- Increase CT by 2% for Social Care	12
- Savings already identified	28
- Savings still to be found	56
Total	108

Summary

- Need to balance 2015/16 first
- 2016/17 could be another difficult year to deliver within budget (we've had 15, hopefully 16, consecutive years of underspend)
- The hunt to find options to close the £56m gap for 2017/18 has already started!