

Policy & Resources Cabinet Committee 15 January 2016

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

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Headlines

- Spending Review 25 November 2015 – suggested very difficult (but just about manageable?) times ahead
- Provisional Local Government Finance Settlement 17 December – shock!

Headlines

The equation:

- Budget / Spending Pressures of £80m
- Net reduction in Govt. grants £46m
- Means savings / income needed of £126m

Budget and Spending Pressures

- Pay & Prices £22m
- Demography £26m
- Service strategies and transformation £7m
- Government imposed changes £13m
- Replace one-off savings from 15/16 £12m
- Total £80m

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>

* As notified on 17 December

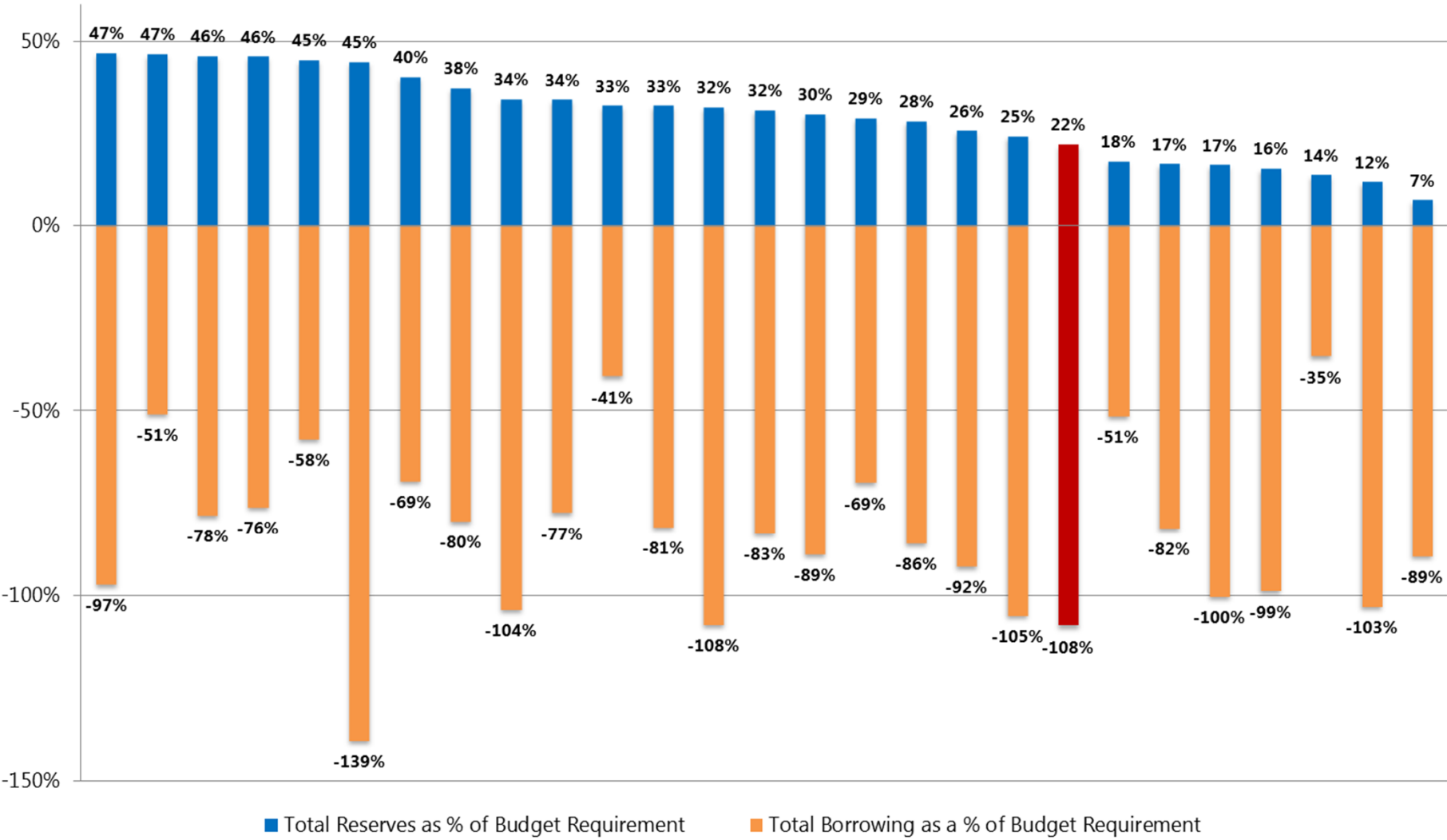
KCC Consultation Response

- We recognise the need to tackle the national deficit
- Overlooks our extra spending demands
- Changes to distribution are flawed – ignores need
- Floors and ceilings
- Dismay about treatment of Inner London
- Late announcement of unexpected and not consulted upon changes
- Offer to work with Government to develop a new social care needs formula

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
 - 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

Beyond 2017/18

- Better Care Fund comes on stream; we might get around £33m pa by 2019/20. Hopefully not with strings!
- Improving position; pot might get bigger rather than smaller
- Government report ‘flat cash’ by end of this Parliament; this will only happen with 4% per year Council Tax increases each and every year, in every Council

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!
 - Hope for improving position from 2018/19
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