

From: Roger Gough, Cabinet Member for Children, Young People and Education

Matt Dunkley, Corporate Director for Children, Young People and Education

To: Children's, Young People and Education Cabinet Committee – 18 January 2018

Subject: Draft 2018-19 Budget and 2018-20 Medium Term Financial Plan

Classification: Unrestricted

Summary:

County Council debated the authority's Autumn Budget Statement on the 19 October 2017. The Autumn Budget Statement report set out an update to the Medium Term Financial Plan (MTFP) for 2018-19 and 2019-20 including progress on proposals to close the unidentified budget gap in the original plan. County Council reaffirmed the role of Cabinet Committees in scrutinising the budget. This report is designed to accompany the final draft 2018-19 Budget and 2018-20 MTFP which is due to be published on 12th January.

Recommendation(s):

The **Children's, Young People and Education Cabinet Committee** is asked to note the draft budget and MTFP and is invited to make suggestions to the Cabinet Member for Children, Young People and Education on any other issues which should be reflected in the draft budget and MTFP prior to Cabinet on the 5 February 2018 and County Council on the 20 February 2018.

1. Introduction

1.1 The draft Budget and MTFP publication, which we intend to publish on 12 January, sets out the overall national and local fiscal context, KCC's revenue and capital budget strategies, and KCC's treasury management and risk strategies. It also includes a number of appendices which set out the high level revenue budget plan, a more detailed one year plan by directorate, prudential and fiscal indicators, and an assessment of KCC's reserves. The financial plans in this publication take into account all of the significant changes from the current year including additional spending demands, changes to funding, and the consequential savings needed to balance the budget to the available funding.

2. Fiscal Environment and KCC Financial Strategy

2.1 Cabinet Committees need to have regard to the overall fiscal environment in which the Council has to operate, and the Council's overall budget strategy, when considering individual Directorate proposals. The revenue budget and Medium Term Financial Plan (MTFP) and the capital investment programme have been proposed based on the spending plans set out from central government in the 2015 Spending Review (SR2015) and subsequent annual Budget Statements and Local Government Finance Settlements. SR2015 represented an extension of the period of austerity on public spending from 2010 in response to the need reduce the national budget deficit and control the total public sector borrowing. SR2015 allowed individual authorities to

agree to a four year budget plan setting out intended medium term efficiencies in return for greater certainty of government grant allocations.

- 2.2 SR2015 represented a flat cash settlement for local government for the period 2016-17 to 2019-20. Effectively this means that the whole sector could expect to have the same amount in total to spend on local services in 2019-20 as it had in 2015-16, in cash terms. This flat cash settlement included phased reduction in the main Revenue Support Grant (RSG) and transitional grants to mitigate the impact in 2016-17 and 2017-18; the phased introduction of Improved Better Care Fund (iBCF) from 2017-18 onwards; and annual council tax increases to cover inflation/referendum limit, estimated increases in the tax base, and the introduction of an 8% social care precept over the four year period (2% per annum). In reality flat cash represents a significant reduction in real terms as it provides no additional funding to cover rising costs and demand for local government services, and requires all councils to find substantial spending reductions/income generation in order to set balanced budgets (a statutory requirement). The only viable alternative to budget savings/income generation is to seek agreement to higher council tax increases under the referendum arrangements introduced under the Localism Act 2011.
- 2.3 The settlement for 2017-18 was improved for social care allowing greater flexibility over the social care council tax precept (enabling up to 3% to be levied in any one year but no more than 6% over the period 2017-18 to 2019-20) and the introduction of a one-off social care support grant in 2017-18. These changes allowed councils to support additional spending in the short term but had no impact on the medium term flat cash settlement. The March 2017 Budget included additional monies in the iBCF in 2017-18 (with lesser increases for 2018-19 and 2019-20). This announcement enabled the council to address urgent issues around delayed transfers of care and market sustainability and marginally improved the flat cash equation over the four year settlement.
- 2.4 The provisional local government settlement 2018-19 did not include any substantial changes to the grant settlements from previous announcements i.e. substantial reductions in RSG, removal of transitional grants in 2018-19, and phased introduction of iBCF over three years. This when combined with council tax increases (base, referendum limit and social care precept) maintained the flat cash equation. The settlement allowed for an increase of 1% on the council tax referendum limit (3% for 2018-19 and 2019-20) and the announcement of 10 additional areas to pilot 100% business rate retention as a one-off for 2018-19.

3. Specific Issues for the Children's, Young People and Education Cabinet Committee

- 3.1 Normally we would provide details in this section of the material unavoidable spending pressures and savings. However as the publication of the draft 2018-19 Budget Book and 2018-20 Medium Term Financial Plan is after the publication of this paper we are therefore unable to provide any information within this report. Full details of the Directorate's budget proposals will be included with the draft 2018-19 Budget Book and 2018-20 Medium Term Financial Plan which we intend to publish on the 12 January. This document will set out the whole council budget and MTFP. Individual committees will need to refer to the individual directorate tables in the capital programme (section 3), revenue budget (sections 4/5), and appendix A(ii) to the MTFP.

Dedicated Schools Grant (DSG)

- 3.2 The Government announced on the 19 December our Dedicated Schools Grant (DSG) allocation for 2018-19. Our funding for 2018-19 includes the introduction of the National Funding Formula as well as reflecting the growth in overall pupil numbers. Further details of this settlement are included within section 2 of the MTFP from paragraph 2.37.
- 3.3 One of the biggest challenges for this Council is managing the rising pupil population, particularly High Needs pupils at a time of minimal growth funding from the DfE. Our High Needs block has received only a minimal 0.5% increase yet our demand for funded places continues to rise at a much higher rate. We have discussed this position with the Schools' Funding Forum and agreed to transfer an additional 0.5% (c. £4.3m) from the School Block to help meet this pressure. However this still leaves a funding gap. We cannot meet this funding gap from reserves as we no longer have a surplus balance in our DSG reserve. The Council's policy is to not "top up" DSG with Council funding so we are therefore considering what further action we can take to help manage demand so that we continue to fulfil our statutory responsibilities whilst also remaining within our available annual DSG funding.

4. Recommendation(s):

The **Children's, Young People and Education Cabinet Committee** is asked to note the draft budget and MTFP and is invited to make suggestions to the Cabinet Member for Children, Young People and Education on any other issues which should be reflected in the draft budget and MTFP prior to Cabinet on the 5 February and County Council on the 20 February.

5. Background documents

- 5.1 Consultation materials published on KCC website and the outcome report.
- Budget Consultation Materials - <http://www.kent.gov.uk/about-the-council/have-your-say/our-budget>
- 5.2 The Chancellor of the Exchequer's Spending Review and Autumn Statement on 22 November 2017 and OBR report on the financial and economic climate.
- Autumn Budget Statement - <https://www.gov.uk/government/publications/autumn-budget-2017-documents/autumn-budget-2017>
- OBR Forecasts <http://budgetresponsibility.org.uk/download/economic-and-fiscal-outlook-november-2017/>
- 5.3 The provisional Local Government Finance Settlement 2018-19 announced on 19 December 2017 - <https://www.gov.uk/government/speeches/provisional-local-government-finance-settlement-2018-to-2019-statement>
- 5.4 The 2018-19 Dedicated Schools Grant settlement – <https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2018-to-2019>

6. Contact details

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