

Council

23 February 2016

2016/17 Budget – Transitional Grant and Other Information

Recommendation

That Council agrees to add the additional one-off £3.0 million Transitional Grant for 2016/17 to the Medium Term Contingency to manage the implementation of further spending reductions required for 2017 to 2020.

1. Background

1.1. The position reached by Council on 4 February 2016 was:

- A balanced budget for 2016/17, including a 1.99% council tax rise and levying the additional 2% charge for adult social care.
- The delivery of £16.1 million of savings and, to achieve a balanced budget, the need to fund £9.0 million of on-going spend from reserves.
- A commitment to begin work on a new savings plan for the period 2017-20 where an estimated further £80 million of savings will be needed. Of these £20 million savings have already been approved as part of 2014-18 One Organisation Plan, leaving £60 million of savings still to be identified. This includes finding the on-going solutions for the £9.0 million funded from reserves in 2016/17.

1.2. This medium term position (excluding all time-limited spending/funding) is summarised in the Table below. These figures assume an annual 1.99% increase in council tax and that any decision to levy the further 2% adult social care charge is to fund additional costs (such as the National Living Wage) that are not included as part of the spending allocations figures above. Whilst these figures will be reviewed and revised before Members are asked to consider approving the 2017/18 budget, the overall position is expected to remain broadly unchanged.

	2016/17 Approved £'000	2017/18 Provisional £'000	2018/19 Provisional £'000	2019/20 Provisional £'000
Funding				
Revenue Support Grant	(37.5)	(20.4)	(9.7)	0.0
Other Government Grants	(45.2)	(43.5)	(41.9)	(41.3)
Business Rates	(60.3)	(61.4)	(63.2)	(63.4)
Council Tax	(241.2)	(247.9)	(254.7)	(261.7)
Resources	(384.2)	(373.2)	(369.5)	(366.4)
Spending				
Base Budget	390.9	392.5	372.6	369.5
Pay and Price Inflation	9.5	9.9	10.0	10.0
Spending Allocations	8.8	5.1	10.0	10.0
Identified Savings	(16.0)	(20.2)	0.0	0.0
Unidentified Savings	0.0	(14.1)	(23.1)	(23.1)
Total Net Spending	393.2	373.2	369.5	366.4
On-going spend funded from one-off resources	9.0	0.0	0.0	0.0

1.3. At the time the 2016/17 budget was agreed the final Local Government Settlement for 2016/17 and a number of other Government Grants had yet to be released. The purpose of this report is to inform Members of the final information and to seek approval as to how to manage the change in the resources allocated.

2. Final 2016/17 Local Government Finance Settlement

2.1. On 8 February 2016, Greg Clark, Secretary of State for Communities and Local Government, laid before the House of Commons the final Local Government Finance Settlement for 2016/17. The announcement set out final allocations for 2016/17 together with indicative allocations for the next three years through to 2019/20.

2.2. The key headlines were as follows:

- Our Revenue Support Grant and business rates allocations remain unchanged from those published at the time of the provisional Settlement.
- An additional £150 million Transitional Funding has been provided nationally in both 2016/17 and 2017/18 “for councils with the sharpest reductions in Revenue Support Grant”. Resources for this appear to have been found from outside the Local Government Finance Settlement, although the source is not yet clear.

- Warwickshire will receive a share of this additional one-off funding. We will receive £2.990 million in 2016/17 and a further £2.993 million in 2017/18. It should be noted that the allocation for 2017/18 will remain indicative and should therefore not be committed until it is confirmed as part of the 2017/18 Local Government Finance Settlement.
- There will be a review of the formula that assesses local authorities need to spend and the outcomes will form part of the transition arrangements to 100% business rates retention. The process for delivering this will be set out in the coming weeks.

3. Other Grant Announcements

3.1. In addition to the main Local Government Finance Settlement a number of other grants have been announced since 4 February. As part of the 2016/17 budget Members agreed that where the final revenue or capital grant figures vary from those assumed this would be managed by an equivalent adjustment to the budget of the respective service.

3.2. The three major outstanding revenue grants have now been announced. These are:

- **Public Health Grant** - The 2016/17 grant has been confirmed as £24.159 million. After adjusting for the transfer of public health services for children aged 0 to 5 this is £1.970 million less than the funding received in 2015/16. The reduction comprises Warwickshire's share of the £200 million in-year cut in grant plus a further 2.2% reduction.
- **Independent Living Fund** – The grant for 2016/17 has been confirmed as £1.929 million. This is £100,000 lower than the funding expected.
- **Better Care Fund** – The minimum contribution from the Clinical Commissioning Groups to the County Council is confirmed as £10.419 million. This is £167,000 higher than assumed in the budget. The final allocation of funding will be decided following negotiations through the Health and Wellbeing Board based on the agreed outcomes and progress on integration.

3.3. Neither the schools capital grant nor the highways capital grants have been announced. The updated position will therefore be reported as part of the 2016/17 Service Estimates report to Cabinet in March.

4. Recommendation from Corporate Board

4.1. Despite receiving a 'flat-cash' settlement over the next four years, the organisation faces very significant challenges in making savings sufficient

enough to compensate for any additional cost pressures. In addition the reductions are front loaded, with higher reductions in earlier years, so that there is a 'u' shaped funding curve.

- 4.2. The County Council's response to the provisional Settlement was clear. If the Government was not willing to change the distribution methodology that redirected funding away from rural areas then some form of transitional funding to help authorities through the first two very difficult years of the Settlement should form part of the final Settlement.
- 4.3. The allocation of an additional £3 million one-off transitional funding in both 2016/17 and 2017/18 is therefore a welcome contribution towards enabling us to better manage the budget position over the short to medium term.
- 4.4. The 2016/17 budget is already balanced, albeit with the use of a significant amount of reserves. Work on a sustainable long term solution is being taken forward. Therefore it is recommended that the full amount of the Transitional Grant should be used to replenish the Medium Term Contingency to maximise the flexibility in delivering the new 2017 to 2020 savings plan.
- 4.5. This would provide a Contingency of £9 million. At £9 million the Medium Term Contingency is still less than half the £20.5 million that underpinned the 2014-18 One Organisation Plan. Without such a Contingency being available savings would need to be delivered to a much tighter timetable. This would minimise the flexibility and time to redesign services as well as consultation and scrutiny time. Without the Contingency the organisation could not deliver the optimum transformation required to both deliver the extra savings and minimise the impact on citizens.
- 4.6. Members are recommended to support the view of Corporate Board that the Medium Term Contingency should be used to support the delivery of the 2017-20 savings plan.

5. Background Information

None

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