

**Budget 2015/16
Report of the County Treasurer**

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendations:

It is recommended that:-

- (i) the Provisional Settlement be noted, and that,**
- (ii) the revenue spending targets approved in December be confirmed.**

1. Introduction

- 1.1. The Secretary of State for Communities and Local Government announced the Provisional Local Government Settlements for 2015/16 on 18th December 2014.
- 1.2. The Comprehensive Spending Review (CSR) published in October 2010 outlined real terms cuts of 28% in local authority expenditure over four years to 2014/15. 2015/16, although outside of the CSR period continues the programme of significant cuts to public sector spending. The Autumn Statement published in December, although not increasing funding reductions for local government in 2015/16, confirms that budget reductions can be anticipated well into the medium term and could increase above the levels previously anticipated.

2. Impact of the Provisional Settlement

- 2.1. In terms of the County Council the Provisional Settlement for 2015/16 provides for a baseline funding level of £178.918 millions which includes £85.750 millions of Revenue Support Grant. The baseline funding level includes an additional £553,000 in recognition of the additional cost of providing services in rural areas. The Provisional Settlement is in line with expectations.
- 2.2. In terms of the level of funding year on year the Secretary of State has quoted a 'spending power' increase of 0.5% for the County Council against an average of 2.1% reduction nationally. The way in which 'spending power' is calculated does not give a true indication of the way Government Grant has diminished because it includes some redirected NHS money and council tax revenues. As a result it understates the real level of grant reduction. A fairer underlying measure is how the baseline funding level has reduced. On a like for like basis this has reduced by 14%.
- 2.3. In recent years the Provisional Settlement has provided indicative information for the following two years. This has not been the case this time. No figures have been received for 2016/17. This is in line with our experiences in the summer when the Government would not be drawn on funding for the Care Act past 2015/16 and of course the General Election.
- 2.4. In addition to baseline funding the County Council receives a number of specific grants. At the time of compiling this report the following grant notifications have been received:

	2014/15	2015/16
Grant	£000	£000
New Homes Bonus	3,134	4,264
New Homes Bonus Adjustment Grant	318	308
Local Service Support Grant	875	673
Dedicated Schools Grant	444,042	460,401
Education Services Grant (subject to in year adjustment for new academies)	8,906	7,020
Public Health Grant	22,060	22,060
Support for Business Rate Cap	970	1,360
Care Act Implementation	0	5,843
Special Educational Needs	882	433
Local Welfare Provision	1,345	0

2.5. Further detail will be forthcoming as Departmental announcements are made.

3. Implications for Budget-setting

- 3.1. There are a number of uncertainties. District councils have yet to notify their approved council tax bases and that part of the business rate yield that will come to the County Council. Neither of these will be available until late January and may yet lead to differences from forecast that will need to be managed. The Provisional Settlement is subject to a period of consultation and the Final Settlement is expected at the end of January or early February.
- 3.2. Provisional service spending targets were set at the meeting of 10th December 2014. The estimate made of the baseline spending level was sufficiently close to the figure notified on 18th December not to require further amendments to targets at this stage. The provisional targets are therefore confirmed. Budgets will be set within these targets and scrutinised accordingly.
- 3.3. In setting the budget for 2015/16, Members will be aware of the Government's desire to see council tax frozen. In the event that councils agree to freeze council tax and receive government support, a sum equal to a 1% rise in council tax will be provided. For 2015/16 the level of council tax increase which will be the trigger for a local referendum will be 2%.

4. Conclusion

- 4.1. The Provisional Local Government Settlement is in line with expectations. Although some information, particularly from district councils is still awaited before budget plans can be finalised, it is encouraging that so far forecasts have proved substantially accurate. A further report will be brought to Cabinet to finalise both the revenue budget and the capital programme in February.

Mary Davis
County Treasurer

Electoral Divisions: All
Cabinet Member: Councillor John Clatworthy
Local Government Act 1972: List of Background Papers
DCLG Provisional Local Government Settlement and related announcements
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