

# Agenda Supplement

Dorset County Council



Meeting: County Council

Time: 10.00 am

Date: 15 February 2016

Venue: Council Chamber, County Hall, Colliton Park, Dorchester, DT1 1XJ

**Debbie Ward**  
Chief Executive

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**9(a). Medium Term Financial Plan (MTFP) and Budget 2016/17 to 2019/20**

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To receive an update on the Council's budget position, which will be considered by the Cabinet on 11 February 2016.

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# Cabinet

**Background  
Information**

# 9a

## Dorset County Council



Date of Meeting	11 February 2016
<u>Cabinet Member</u> Robert Gould – Leader <u>Lead Officer(s)</u> Richard Bates – Chief Financial Officer	
<b>Subject of Report</b>	<b>Medium Term Financial Plan (MTFP) and Budget 2016/17 to 2019/20 – addendum for final settlement</b>
Executive Summary	<p>This report is an addendum to the previous Cabinet paper for the 11<sup>th</sup> February meeting, covering the details from the delayed, final settlement which was published on 8<sup>th</sup> February.</p> <p>The provisional settlement announced on 17<sup>th</sup> December, left the County Council with an additional budget gap of around £7.3m; £7.8m in total. Our planning up to the point of the provisional settlement had allowed us to close the budget gap for 2016/17 to just £0.4m but a radical departure from the previous method of calculating funding left Dorset with a grant reduction of £17.8m; around £7.3m more than had been planned for.</p> <p>The final settlement was delivered on 8<sup>th</sup> February and in announcing it, the Secretary of State for Communities &amp; Local Govt, Greg Clark MP, made a number of announcements that were key for Dorset’s position. These included:</p> <ul style="list-style-type: none"> <li>• In 2017-18 and 2018-19 as RSG declines, authorities that were paying Revenue Support Grant (RSG) back as a tariff adjustment will no longer need to. This improves Dorset’s position by £2.1m in 2018-19 but for now at least, the negative £10.1m grant remains in 2019-20. However, the Minister said that subsequent years will be influenced by 100% rates retention.</li> <li>• £150m Transitional Funding would be available in both 2016-17 and 2017-18 for councils with the sharpest reductions in RSG. For the County Council this amounts to just under £3m</li> </ul>

	<p>in each of 2016-17 and 2017-18.</p> <ul style="list-style-type: none"> <li>• Review of the Needs Assessment Formula where all local government spending is funded by local resources not central grant, and use this review to determine the transition to 100% business rates retention. This process is to be set out in coming weeks.</li> <li>• Rural Services Delivery Grant is to rise to £80.5m in 2016/17 compared to £15.5m in 15-16. £65m is available in 2017-18, £50m in 2018-19 and £65m in 2019-20. For Dorset, this means an £1.1m in 2016-17 and £0.5m in 2017-18. Later years allocations are unchanged</li> <li>• Confirmation of a 2% council tax referendum trigger for 16-17</li> <li>• Confirmation that social care authorities will be able to raise a 2% social care precept</li> <li>• The deadline for accepting or rejecting the four-year funding offer is Friday 14th October 2016.</li> <li>• allocations of some further grants, such as New Homes Bonus, were also confirmed (with no material changes for the County Council) but there are others which we still have not had confirmed, including Extended Rights to Free Transport and Public Health Grant.</li> </ul> <p>In overall terms, the final settlement has improved compared to the provisional settlement by £4.1m for 2016-17, £3.5m for 2017-18 and £2.1m in 2018-19. Whilst this is very welcome, the position remains over £3.2m worse than our original planning assumptions for 2016-17 and will still therefore require the application of some one-off funding to address this gap.</p> <p>The council will also have to build on the successful lobbying done around this settlement when the consultation on 100% retention of business rates commences to ensure that the negative grant allocation for 2019-20 does not come to fruition.</p>
<p>Impact Assessment:</p>	<p>Equalities Impact Assessment: This update does not involve a change in strategy. As the strategy for managing within the available budget is developed, the impact of specific proposals on equality groups will be considered.</p> <p>Use of Evidence: This report draws on proposals and funding information published by the Government, briefings issued by such bodies as the Society of County Treasurers.</p> <p>Budget: The report provides an update on the County Council's previously reported budget position for the period 2016/17 and the following three years.</p> <p>Major risks that influence the development of the financial strategy include:</p> <ul style="list-style-type: none"> <li>• Views taken on changes in grant funding, business rates</li> </ul>

	<p>growth, inflation rates, demographic and other pressures and income from locally raised tax;</p> <ul style="list-style-type: none"> <li>• Success in delivering the savings anticipated from the Forward Together programme and a further, significant transformation beyond that point to manage within our funding limits;</li> <li>• Judgement on the use of reserves, balances and contingency;</li> <li>• Pressures arising that have not been factored into the budget or the Forward Together programme.</li> </ul> <p>Risk Assessment: Having considered the risks associated with this decision using the County Council’s approved risk management methodology, the level of risk has been identified as: Current Risk: HIGH Residual Risk HIGH</p> <p>Other Implications: None.</p>
<p>Recommendation</p>	<p>Recommendations were included in the previous paper and are not repeated here. Cabinet is advised to consider the impact of this further information from the final settlement when considering those recommendations.</p> <p>The changes in funding, summarised above, do not alter the County Council’s direction of travel from previous reports that the Cabinet has received. The changes mean the position for 2016-17 is £4.1m better than anticipated in the provisional settlement. However, this simply means that we will need to use £2.2m of one-off funding from reserves to achieve a balanced, legal budget, rather than the expected £6.3m.</p>
<p>Reason for Recommendation</p>	<p>To approve the Council Tax increase for 2016/17 and to enable work to continue on refining and managing the County Council’s budget strategy for 2016/17 and beyond.</p>
<p>Appendices</p>	<p>None</p>
<p>Background Papers</p>	<p>Final Local Govt Finance Settlement 2016/17</p>
<p>Officer Contact</p>	<p>Name: Jim McManus, Chief Accountant Tel: 01305 221235 Email: j.mcmanus@dorsetcc.gov.uk</p>

The table below shows the budget gap that arose as a result of the provisional settlement and how it was dealt with; particularly in 2016/17 through use of reserves and balances.

**MTFP gap analysis - provisional settlement**

	2016/17	2017/18	2018/19	2019/20	Total
	£000	£000	£000	£000	£000
Original budget gap	(15.3)	(25.2)	(12.4)	(12.3)	(65.2)
Forward Together savings	9.0	6.4	1.0	-	16.4
Use of contingency, reserves etc	6.3	-	-	-	6.3
Remainder to be found	-	(18.8)	(11.4)	(12.3)	(42.5)

The second table shows that the impact of the transitional funding made available through the final settlement is to redistribute savings across years rather than to reduce the total savings requirement (£42.5m). The table is extended to show the impact of the the social care precept, if levied, on the four year residual budget gap.

**MTFP gap analysis - final settlement and social care precept levy**

	2016/17	2017/18	2018/19	2019/20	Total
	£000	£000	£000	£000	£000
Original budget gap	(15.3)	(25.2)	(12.4)	(12.3)	(65.2)
Forward Together savings	9.0	6.4	1.0	-	16.4
Transitional funding	3.0	3.0	(3.0)	-	3.0
Rural Services Delivery Grant	1.1	0.5	(0.5)	-	1.1
No negative RSG	-	-	2.1	(2.1)	-
Use of contingency, reserves etc	2.2	-	-	-	2.2
Remainder to be found	-	(15.3)	(12.8)	(14.4)	(42.5)
Social Care Precept	-	4.0	4.2	4.5	12.7
Residual budget gap	-	(11.3)	(8.6)	(9.9)	(29.8)