

COUNCIL BUDGET STRATEGY UPDATE REPORT SECTION 1 – GENERAL FUND

1. Key Points

1.1 BACKGROUND

- 1.1.1 National government's policy on reducing the national debt burden through significant public expenditure reductions has had a significant impact on Council funding; both over the lifetime of the previous parliament and further anticipated funding reductions over the lifetime of the current parliament to 2020. At the same time, the Council has to manage a range of continuing service pressures within available funding, including demographic (over 65's) pressures in Adult Services, service pressures impacting on Looked after Children, and cost of living (inflation) pressures.
- 1.1.2 The Council has planned for and achieved savings of £106m between 2011-16, and last year's budget strategy update report indicated a further savings requirement of £59m over the 2016-19 period; £165m in total over 2011-19.
- 1.1.3 The Council's Medium Term Financial Plan (MTFP) has been informed in particular by the aim of delivering options for re-shaping to a New Council, guided by the Council's two strategies; Economic Strategy and Health & Wellbeing strategy, to achieve the following:
- i) the Council will use available resources to best effect/support the Council's priorities, and
 - ii) the Council can live within its means for the foreseeable future
- 1.1.4 The re-shaping to a New Council also reflects a focus on developing cross-Directorate options which includes specific priorities on Early Intervention and Prevention, and Economic Resilience.
- 1.1.5 Full Council on 17 February 2016 approved a net revenue budget for 2016-17 of **£311m**, incorporating planned savings of **£10m**, and the use of available one-off balances and earmarked reserves of just under £18m, to deliver a balanced budget.
- 1.1.6 Years 2 and 3 of the MTFP included a broader range of cross-Directorate proposals as the shape of the Council moves towards a New Council, acknowledging that these proposals would continue to be developed over the MTFP. This included further planned savings totaling **£19m**.
- 1.1.7 The approved budget plans further noted that longer term, even after taking account of year 2 and 3 proposals as above, the spending allocations for the 2017-20 period exceeded funding available by £16m in 2017-18, increasing to £30m by 2018-19 and £38m by 2019-20. This was acknowledged to be unsustainable and would need to be addressed through future budget rounds in order to deliver a sustainable balanced budget over the medium term.

The detailed revenue budget book accompanying the approved budget 2016-20 can be found by the following web link for information:

<http://www.kirklees.gov.uk/beta/delivering-services/pdf/Revenue-Budget-2016-19.pdf>

1.1.8 A review of high level funding and cost assumptions has been undertaken to help inform this MTFP update, using a range of current local and national intelligence. The MTFP update also now incorporates a new year 3 and new year 4. The outcome of this funding and cost review is set out in the following sections.

MTFP UPDATE - FUNDING & SPENDING ALLOCATIONS REVIEWED

1.2 BASELINE FUNDING ADJUSTMENTS

1.2.1 Table 1 below summarises updated MTFP funding available, building on current approved budget plans, and based on a range of current local and national intelligence:

Table 1 – MTFP Update, Funding Available

General Fund	17-18	18-19	19-20	20-21	Report ref :
FUNDING AVAILABLE (current budget plans)	£m	£m	£m	£m	(Section 1)
<i>Business rates (Local Share)</i>	<i>(52)</i>	<i>(53)</i>	<i>(54)</i>	<i>(54)</i>	1.3.1 - 1.3.8
<i>Top Up grant</i>	<i>(22)</i>	<i>(23)</i>	<i>(23)</i>	<i>(23)</i>	1.3.7
<i>Revenue Support Grant</i>	<i>(33)</i>	<i>(23)</i>	<i>(13)</i>	<i>(13)</i>	1.3.9-1.3.10
Business rates retention Scheme	(107)	(99)	(90)	(90)	
Un-ringfenced grants	(21)	(18)	(18)	(18)	1.4
Council tax	(157)	(164)	(172)	(172)	1.5
Total Funding	(285)	(281)	(280)	(280)	
<i>MTFP update - funding changes</i>					
Business Rates (local share)				(1)	1.3.7
Top Up grant				(1)	1.3.7
Revenue Support Grant				13	1.3.9-1.3.10
Council Tax				(8)	1.5
Updated funding available 17-21	(285)	(281)	(280)	(277)	

1.2.2 The key assumptions underpinning the updated funding forecasts at Table 1 above, are set out in the following sections.

1.3 BUSINESS RATES RETENTION SCHEME

BUSINESS RATES LOCAL SHARE

- 1.3.1 The figures included in Table 1 above reflect the Council's estimated (Local) share of business rates, which is equivalent to 49%. The remaining 51% collected locally is paid over to central government (50%), and Fire authority (1%).
- 1.3.2 Current year business rates forecasts suggest that the Council's Local Share, is currently £1.8m under budget, and a further £1.2m less (£3m in total) than the equivalent government control figures. The significance of this difference is that government uses its own control figures for determining what it thinks should be the annual business rates retention scheme funding allocation, and calculates the revenue support grant allocation on this basis.
- 1.3.3 The £3m difference between current Council projections and government control figures reflects the risk and reward element of local business rates retention. In part the difference is linked to the ongoing impact on the Council of successful rates valuation appeals, a number of which are backdated to 2010, and some to 2005. The Council has a prudent provision set aside totaling £8.7m (£4.3m Kirklees' share), to mitigate the financial impact of backdated appeals, but the ongoing impact is to reduce the annual business rates base.
- 1.3.4 A new valuation list for non-domestic properties will take effect from April 2017. Government has indicated that, as with previous re-valuations, the specific impact of any re-valuation will be 'fiscally neutral' for individual Councils, with compensating grant adjustments. There will also be transitional protection arrangements for businesses affected by the re-valuation, and Government has indicated similar transitional arrangements for businesses for the 2017 re-valuation.
- 1.3.5 The extent to which the 2017 re-valuation may impact on new valuation appeals, beyond prudent assumptions already factored into the current business rates base budget (as per para 1.3.3 above) is too early to determine at this stage.
- 1.3.6 Government has also confirmed the continuation of the small business rates relief scheme to 2020, compensated by un-ringfenced grant, and this is also factored into current funding forecasts.
- 1.3.7 The only growth forecasts factored into business rates over the 4 year period , including Top Up grant, reflects government annual business rates inflation uplift assumptions (the 'multiplier' uplift) linked to CPI, at 1.8% in 2017-18, 1.9% in 2018-19 and 2.0% the following 2 years, .
- 1.3.8 Current year 2016-17, Quarter 1, (month 3) monitoring indicates that business rates (local) share in-year forecast is less than budgeted by £1.8m (equivalent to 3.4%) against £52m target income. However, this is

acknowledged to be a relatively prudent forecast, and will be reviewed later in the financial year, and will inform any further funding adjustment requirement prior to the annual budget report to Council in February 2017.

REVENUE SUPPORT GRANT

- 1.3.9 Revenue support grant reductions in the MTFP update are based on indicative grant reductions over the 2017-20 period, included in the Government financial settlement for 2016-17. Government has indicated that over the lifetime of the current parliament, revenue support grant would be phased out completely, and as such, the assumed 2020-21 grant allocation is nil.
- 1.3.10 Government has also indicated that the balance of reduced revenue support grant figures included in the financial settlement over the 2017-20 period represent a minimum funding guarantee for Councils that produce a 4 year Efficiency Plan. The Council's Efficiency Plan submission is included at Appendix D.

NATIONAL BUSINESS RATES REVIEW

- 1.3.11 Government has indicated that it intends for Councils to retain 100% of business rates collected locally, not the 49% currently collected. There has been an initial government consultation on overall approach (deadline 26 September 2016) which is intended to shape more specific technical proposals through Autumn 2016. This will be followed by legislation to provide the framework for these reforms, which will be introduced 'later' in the parliamentary session, and full implementation of 100% business rates retention across local government by the end of the current parliament.
- 1.3.12 The move to 100% business rates retention, from the current 49% is intended to drive greater self-sufficiency in Council funding. As per Government current estimates, this equates nationally to the transfer of £12.5 billion from Whitehall to local councils.
- 1.3.13 Government has also made clear that the transfer will be 'fiscally neutral', and intends that in order to achieve this, the proposal will also mean Councils gaining new funding responsibilities, and some Whitehall grants will be phased out.
- 1.3.14 These reforms present local opportunities, incentives and flexibilities going forward, but at the same time they represent potential financial pressures and risks, also devolved to local Councils. As set out earlier at para 1.3.11, there is a protracted timetable to enable time for consideration of the key design principles underpinning the proposals; some of which are quite technically complex, as well as potentially contentious in terms of the relative distributional impact of resources across Councils, depending on approaches considered. Clearly this will be of keen interest to all Councils affected by this proposal.

1.3.15 The design principles have yet to be clearly set out, are likely to be quite complex in scope, and are not likely to be implemented before 2020-21. The MTFP update makes no assumptions about the likely financial impact at this stage, other than to note that there are likely to be both opportunities, and risks, going forward.

1.4 **UN-RINGFENCED GRANTS**

1.4.1 The 2016-17 Government finance settlement included detail of future year indicative un-ringfenced grant funding allocations to 2019-20. These are set out below, extended to 2020-21:

Table 2 – Un-ringfenced grant indicative allocations

Un-ringfenced grants	17-18	18-19	19-20	20-21
	£m	£m	£m	£m
Education Services Grant (ESG)	4.7	4.7	4.7	4.7
New Homes Bonus (NHB)	9.1	5.7	5.5	5.5
Housing & Council Admin Grant	2.2	2.2	2.2	2.2
Business Rates related grants	5.0	5.0	5.0	5.0
Other	0.4	0.4	0.4	0.4
Total	21.4	18.0	17.8	17.8

1.4.2 These grants are separately identifiable, but the Council can apply this funding flexibly to meet overall Council spend priorities.

1.4.3 New Homes Bonus (NHB) reduces by £3.4m to £5.7m from 2018-19, and a further £0.2m to £5.5m from 2019-20 onwards. This reflects Government's intention to re-direct £0.8 billion NHB grant nationally, to the Better Care Fund (BCF). This is part of an additional £1.5 billion increase in national BCF funding allocation to resource adult social care pressures.

1.4.4 Current approved Council budget plans have allocated the equivalent of 10% of the Council's 2016-17 New Homes Bonus funding allocation to District Committee base budgets. The Council's NHB grant allocations in later years reduce (re-directed to Better Care Fund; see also paras 1.7.7 to 1.7.10 below). The MTFP update at this stage assumes no change to District Committee base budgets in future years, notwithstanding the reduced NHB grant allocation from 2017-18 onwards.

1.4.5 Education Services Grant may also change in future years from current assumptions. In part it reduces as more schools become academies. Also, as part of a wider government review of the current national funding formula for schools, the basis of distribution and quantity of this grant may also change, noting that current plans to implement a revised national funding formula for schools has now been deferred by Government a further year, to an April 2018 implementation.

1.5 COUNCIL TAX

- 1.5.1 Council tax income forecasts reflect current approved budget plans, with an assumed 3.95% per annum increase each year for the next 4 years, to 2021. This includes an assumed uplift of 1.95% per annum, which falls within the referendum threshold of 2% or above for English Councils (excluding Parish Councils).
- 1.5.2 It also includes an assumed uplift of 2% per annum in respect of the 'social care' precept. Government has made this available (upto 2%). The precept falls outside the referendum requirement, but has to be hypothecated to adult social care spend.
- 1.5.3 The cumulative impact of the social care precept is factored into Adult service budget plans, and it is intended that this will fund the financial impact of Government's national minimum wage (national living wage) uplift to £9 per hour by 2020, which has significantly increased the service's calculation of annual nursing and residential fees over the period.
- 1.5.4 DCLG's technical consultation on the 2017-18 financial settlement re-affirms the referendum threshold limits for 2017-18, as set out in paras 1.5.1 – 1.5.2 above. The consultation also includes proposals for the referendum principles to apply for the first time to town and parish councils whose Band D charge is higher than £75.46 and their total precept is over £500,000. This criteria does not apply to the Council's 5 parish councils, although the consultation is seeking views on extending the referendum principles to all town and parish councils.
- 1.5.5 At the full Council meeting on 17 January 2016, members approved the continuation of the existing Council Tax support scheme, which is based on a reduction in local support of 20%, and the council tax income forecasts here assume a continuation of this approach to 2021.
- 1.5.6 Current approved budget plans assume growth in the council tax base position, at 900 Band D equivalents per annum, over the 2016-19 period, and similar growth assumptions are factored into the following 2 years. This is in line with recent year trends.
- 1.5.7 Current year monitoring (Quarter 1) forecasts indicate council tax income collection above target income assumptions by £1m or 0.6% against target annual income of £149m. As with business rates (see also para 1.3.8 earlier), this will be reviewed later in the financial year, and an assessment made if there should be an adjustment to future year Council Tax budget income forecasts included at this stage. Any positive adjustments here may anyway be offset to some extent by potential downward adjustments on business rates.

1.6 BASELINE COST ADJUSTMENTS

1.6.1 The starting point for the review of baseline cost adjustments is to roll forward existing year 2 and 3 budget spending allocations (2017-18 and 2018-19), including planned savings totaling £19m over the period.

1.6.2 These spending allocations have then been reviewed, including a number of high level baseline cost adjustments, which are summarised at Table 3 below;

Table 3 – Spending Allocations & baseline cost adjustments

General Fund	17-18	18-19	19-20	20-21	Report ref :
SPENDING ALLOCATION	£m	£m	£m	£m	(Section 1)
Directorate Budgets (current plans 17-20)	229	232	235	235	1.6.1
MTFP update - cost adjustments :					
Adult Services					
Current year demand pressures rolled forward	3	3	3	3	1.6.5
Re-align existing 2017-18 savings target; demand led budgets	3	3	3	3	1.6.5
New year 4 additional budget to match precept	-	-	-	4	1.6.6
Demographic pressures (over 65's)	-	1	2	3	1.6.5
Continuing Care Funding pressures	1	1	1	1	1.6.5
sub-total Adult Services	7	8	9	14	
Public Health					
Public Health Grant Cut	1	1	2	2	1.6.10
Matching Reduction in expenditure	(1)	(1)	(2)	(2)	1.6.10
sub-total Public Health	0	0	0	0	
Other					
Looked after children - current year pressures rolled forward	4	4	4	4	1.6.5
Looked after children - re-align existing 2017-18 savings target; demand led budgets	2	2	2	2	1.6.5
Waste Contract - current year pressures rolled forward	1	1	1	1	1.6.5
sub-total Other	7	7	7	7	
Updated Directorate budgets	243	247	251	256	
Central Budgets (current plans)	73	79	83	83	
MTFP update - cost adjustments :					
Treasury management	(3)	(4)	(3)	(2)	1.6.11 - 1.6.12
Inflation				5	1.6.13
Updated Central Budgets	70	75	80	86	
Updated spending allocation 2017-21	313	322	331	342	

DIRECTORATE COST ADJUSTMENTS

- 1.6.3 The 2015-16 financial outturn and rollover report to Council on 29 June 2016 reported underlying demand led financial pressures in-year against Adults Social Care activity, Looked after Children and Waste Contract. The link to the report is provided below:

<https://democracy.kirklees.gov.uk/ieListDocuments.aspx?CId=138&MId=5093>

- 1.6.4 Following on from the above, the Quarter 1 (Month 3) 2016-17 financial monitoring report to Cabinet, reflects the continuation of the above service pressures into 2016-17, and the forecast non-deliverability of 2016-17 planned savings against this activity. The link to the report is provided below, and a specific extract relating to Adults and Children included at Appendix D :

<https://democracy.kirklees.gov.uk/ieListDocuments.aspx?CId=139&MId=4977>

- 1.6.5 In light of the above, the MTFP update includes an initial re-base of service demand led budgets as set out at Table 3 above. The re-base is intended to reflect in part a more realistic baseline position, but balanced by the clear expectation for Adults and Children's service areas to manage demand led pressures within the re-based allocations set out in the MTFP update :

- i) underlying current year demand led pressures (including pressures rolled forward from 2015-16),
- ii) re-alignment of savings deliverability in 2017-18 against existing plans
- iii) estimated demographic growth assumptions against Adult Social Care activity over the 2017-21 period;

- 1.6.6 Government has instructed Councils to hypothecate the social care precept income to adult social care activity, acknowledging the scale of future service pressures; in particular financial pressures on the cost of contracted adult social care resultant from government intent to uplift the national minimum wage to £9 per hour by 2020. Current Council budget plans reflect the hypothecation of the additional precept income to adult social care budgets in recognition of the national minimum wage impact on contracted service costs, plus an assumed further year 4 social care precept budget allocation.

- 1.6.7 Current budget plans reflect £29.6m public health grant and matching service expenditure. Of this, £6m grant has effectively been re-commissioned or applied against existing budgeted activity across other Council services that meets public health grant criteria. Effectively this element of the grant is supporting the Council's 'bottom line'. The MTFP update assumes that the £6m will continue to support the Council bottom line in this way, over the 2017-21 period. This then leaves a balance of £23.6m grant and matching expenditure in current public health budgets.

- 1.6.8 There was a late Government announcement reducing overall national public health grant allocations to Councils in 2016-17. The grant reduction for the Council was £2.3m. The timing of the grant reduction meant that it could not be properly factored into 2016-17 budget planning. As the majority of public

health expenditure is locked into contracts for services or is supporting a broader range of council services that have a public health outcome, there is a lag to reduce expenditure in line with the budget reduction.

1.6.9 Action is being taken to redesign and re-procure contracts to deal with the reduced grant. The 2016-17 base Public health expenditure and income figures will be amended to reflect the £2.3m grant reduction in the starting point for the refreshed 2017-21 MTFP.

1.6.10 Department of Health has also indicated further national public health grant reductions over the next 3 years. The Council's share of the additional reduction is £0.7m in 2017-18, increasing to £1.4m in 2018-19 and £2m by 2019-20 (cumulative). Overall public health grant and matching budgeted expenditure available to the service, over the 2015-20 period, has effectively reduced from £23.6m to £19.3m; equivalent to an 18% reduction. The MTFP update assumes that the service will bring forward specific budget proposals to reduce its cost commitments to match reductions in grant available over the 2017-21 period.

CENTRAL BUDGET COST ADJUSTMENTS

TREASURY MANAGEMENT

1.6.11 The treasury management budget covers the cost of repaying debt and interest payments, net of any income earned in balances. It also includes the cost of new borrowing. Current approved budget plans largely reflect repayment and interest payments on historic debt, and for which current corporate treasury management policy factors in an annual revenue budget provision equivalent to 4% of the Council's annual net revenue budget. They also factor in new borrowing costs to support the approved 5 year corporate capital plan; interest rates on new borrowing assumed at 2% in 2016-17 and 2017-18, 2.1% in 2018-19 and 2.2% in 2019-20.

1.6.12 There has also been a slight downward revision on future interest rate projections by 0.25% across years, in light of the recent bank of England base rate reduction to 0.25%. Also, the impact of reduced capital plan rollover from 2015-16 into 2016-17 has also led to a re-profile of budget requirements into later years. The net effect of these changes has also been reflected in the MTFP update cost adjustments as set out in para 1.6.2, Table 3 earlier.

CONTINGENCIES - INFLATION

1.6.13 Future year inflation forecasts, at this stage, are allocated to central budgets. Specific inflation for pay, prices and income for 2017-18 will be allocated out to Directorates in due course, to uprate budget proposals to 2017-18 price base. However, an element of price inflation is retained centrally through the year to be allocated out to services subject to confirmation on specific inflationary uplifts e.g. energy and waste contract prices. There is a new year 4 allocation of £5m based on current MTFP assumptions of 1% pay, 2% prices and 2% income factored into the MTFP update figures.

CONTINGENCIES - OTHER

- 1.6.14 There is a current actuarial review of employer contributions to the West Yorkshire Pension Fund (WYPF), and the approved budget plans include a prudent set aside of £1.6m in central budgets for an assumed increase in employer pension contributions by 1% from 2017-18, to 16.1%. The MTFP update maintains this current assumption, subject to further review following the conclusion of the actuarial review later in the year.
- 1.6.15 There is also a central budget provision in current budget plans of £0.8m; estimated Council contribution to the government apprenticeship levy scheme which it proposes to implement from May 2017. The provision is based on 0.5% of the Council's annual pay bill. It affects all employers with an annual pay bill in excess of £3m. The detail of how the national scheme will work, and what it means for contributing employers, is currently being worked up by government. At this stage, the MTFP update assumes no change to the provision requirement.

JOINT COMMITTEES

- 1.6.16 The MTFP update reflects current approved budget plans, which include provision for annual cumulative increases in levy contributions of about £0.5m per annum towards financing costs to support a major regional Transport Infrastructure Programme run through the Combined Authority. There are similar, proportionate levy increases across all West Yorkshire Councils. All transport figures included in Council budget plans remain subject to ongoing region wide discussions.

1.7 EARLY CONSIDERATION OF SAVINGS

- 1.7.1 The review of funding and spending allocations as described in sections 1.3 to 1.6 above, presents an increased financial challenge for the Council with an updated forecast budget gap of £28m in 2017-18, increasing to £41m in 2018-19, £51m in 2019-20 and £65m in 2020-21.
- 1.7.2 Officers are recommending Council approval of a number of mitigating actions to address at least some of this budget gap. Table 4 below illustrates the financial impact of these early proposals which collectively could deliver £3m in savings in 2016-17, increasing to £23m by 2020-21.

Approval of these savings proposals would result in a reduced budget gap of £25m in 2017-18, increasing to 29m in 2018-19, £31m in 2019-20 and £42m in 2020-21.

Table 4 – Financial Impact of Early Savings Proposals

General Fund	17-18	18-19	19-20	20-21	Report ref :
	£m	£m	£m	£m	(Section 1)
Funding Available MTFP Update	(285)	(281)	(280)	(277)	1.2.1
Spending Allocation MTFP Update	313	322	331	342	1.6.2
Budget Gap MTFP Update	28	41	51	65	
Early Savings Proposals:					
Inflation Review	(2)	(5)	(7)	(10)	1.7.3-1.7.6
Improved Better Care Funding Offer	(1)	(7)	(13)	(13)	1.7.7-1.7.10
	(3)	(12)	(20)	(23)	
Spending Allocation net of Savings Proposals	310	310	311	319	
Budget Gap net of Savings Proposals	25	29	31	42	

EARLY SAVINGS PROPOSAL – INFLATION REVIEW

1.7.3 Updated inflation budget requirements are summarised in Table 5 below:

Table 5 – Inflation allocation across years (cumulative)

Heading	2017-18		2018-19		2019-20		2020-21	
	£m	%	£m	%	£m	%	£m	%
Pay	1.6	1	3.1	1	4.6	1	6.1	1
Prices	1.7	nil*	3.4	nil*	5.1	nil*	6.8	nil*
Income	(1.4)	2	(2.9)	2	(4.3)	2	(5.8)	2
Budget	1.9		3.6		5.4		7.1	
Difference from current plans	(1.8)		(5.1)		(6.7)		(10.2)	

* Prices inflation nil except for adult social care and children's contracts, energy and waste. See 1.7.5 below.

1.7.4 Pay inflation is in line with current budget assumptions, and reflects government 1% annual pay uplift over the next 4 years. Further work is being undertaken to assess the impact of the Government national minimum wage (national living wage) uplifts on directly employed staff, although at this stage it is not anticipated to have any material impact, before 2020-21 at the earliest; at the point that the national minimum wage rate is £9 per hour.

1.7.5 Current budget plans assumed price inflation in line with latest Office of Budget Responsibility (OBR) inflation forecasts over the next 4 years; 1.8% in 2017-18, 1.9% 2018-19 and 2% per annum, thereafter. Savings proposals recommend an effective price inflation freeze over the next 4 years across Council revenue budgets. The only exceptions are energy (approx. 7% per

annum), waste contract (approx. 2.5% per annum), adult social care and children looked after 3rd party contracts and payments (will continue to be linked to CPI assumptions). Service areas, other than the exceptions highlighted, will be expected to manage price inflation within cash limits over the next 4 years. This will deliver cumulative savings of £2m in 2017-18 rising to £5m in 2018-19, £7m in 2019-20 and £10m in 2020-21.

- 1.7.6 Current budget plans assume annual income inflation at 2% per annum, and the MTFP update continues this approach, other than car parking and markets income, which assume no inflation over the next 4 years; effectively a more realistic but still challenging budget re-base to reflect current and predicted income levels against this activity. Table 6 below summarises recent income trends against these specific activities:

Table 6 – Car Parking and Markets Income Trends

Year	Car Parking			Markets		
	Budget	Outturn	Variance	Budget	Outturn	Variance
	£k	£k	£k	£k	£k	£k
2014-15	-5,645	-5,227	418	-2,080	-1,995	85
2015-16	-5,681	-5,110	571	-2,105	-1,904	201
2016-17 (Q1 projection)	-5,795	-5,279	516	-2,137	-2,022	115

EARLY SAVINGS PROPOSAL –BETTER CARE FUNDING

- 1.7.7 Better Care Fund (BCF) was established originally in 2015-16, comprising elements of existing health and adult social care budgets into a pooled fund, administered by the Council. The Council's pooled fund is currently at £30m. Government's 2016-17 funding settlement for Councils included a significant increase in BCF nationally, equivalent to £1.5bn by 2019-20 (of which £0.8 billion will come from a re-direct of existing New Homes Bonus Grant – see also para 1.4.3 earlier).
- 1.7.8 The Council's indicative share of the additional BCF funding over the 2017-20 period was set out in the 2016-17 finance settlement; £0.8m in 2017-18, increasing to £7.1m in 2018-19 and £12.9m in 2019-20.
- 1.7.9 Government indicated at the time that the methodology behind the indicative distribution of the additional £1.5 billion BCF funding to individual Councils, will be subject to a specific consultation, the timing of which has not been announced yet. In view of this, approved Council budget plans for 2016-19 made no specific budget assumptions regarding the additional BCF offer.
- 1.7.10 Early savings proposals detailed in Table 4 (para 1.7.2) above, assume the inclusion of these indicative BCF allocations in the Council's budget. It is recognised that this is a key sensitivity at this stage, to be further informed nationally by any emerging detailed consultation.

1.8 BALANCES & RESERVES

- 1.8.1 The Council uses the term “reserves” to mean accumulated one-off resources built up over time, that have been set aside or earmarked for specific purposes under 3 broad categories; statutory (i.e. relate to schools only), earmarked, and risk based. Remaining reserves not set aside are referred to as general fund balances.
- 1.8.2 Statutory reserves which relate to schools totalled £19m as at April 2016, and as these are specifically schools related, the remainder of this section focuses on earmarked reserves and balances.
- 1.8.3 Table 7 below reflects a current estimate of available reserves and balances to support the MTFP over the 2017-21 period, and is based on information presented as part of Quarter 1 financial monitoring forecasts reported to Cabinet on 23 August 2016:

Table 7 – Reserves and Balances

General Fund Reserves / Balances available to support MTFP	Balance at 31st March 2016	Forecast Movement in Reserves	Estimated Balance at 31 st March 2017
	£m	£m	£m
<i>Earmarked</i>			
<i>Approved Drawdown to Support MTFP</i>		1.3	
Journey to New Council		0.6	
Revenue Grants		4.8	
Stronger Families		1.7	
Workforce Restructure		3.2	
Rollover		2.9	
Business Rates		2.3	
Other		0.2	
sub-total	(57.4)	17.0	(40.4)
<i>Risk Based</i>			
drawdown to support childrens service developments		2.9	
sub-total	(10.0)	2.9	(7.1)
General Balances			
<i>Approved Drawdown to Support MTFP</i>		16.2	
sub-total	(25.9)	16.2	(9.7)
Grand Total	(93.3)	36.1	(57.2)
Assumed set aside for specific spend commitments rolled forward into 2017-18			
minimum balances required to support Council cashflow			5.0
Workforce Restructure (Severance costs)			7.8
New Council Transformation			3.4
PFI Prepayment Reserve			3.3
Integrated Community Equipment Store			0.8
Revenue Rollover			7.6
Remaining Reserves Available to Support MTFP 2017-21			(29.3)

- 1.8.4 Available reserves (i.e. excluding statutory schools related reserves which the Council cannot use for other purposes) are estimated to be £57m by year end; compared with £93m available reserves at 31st March 2016; overall reduction of 39% over a twelve month period. The estimated reserves movements in 2016-17 equate to an unsustainable average weekly drawdown of approximately £700k (excluding minimum balances).
- 1.8.5 The £57m estimate is adjusted further by £28m for assumed corporate spend commitments rolled forward into 2017-18, including one-off funding for developments to support service re-design to a New Council and £5m minimum balances level.
- 1.8.6 Adjusting for the above, the estimated level of available Reserves to support the Council's MTFP update 2017-21 is nearer £29m; equivalent to just 9% of the Council's current annual net revenue budget. Council Reserves at this point could be considered to be at critical levels.