COUNTY COUNCIL MEETING – 2 DECEMBER 2015

POSITION STATEMENT FROM THE DEPUTY LEADER

Medium Term Financial Outlook

The Country still faces a large public sector deficit, albeit reduced from 10.2% of GDP in 2010 to 3.9% in 2015. Significant savings still need to be made across the public sector.

The Spending Review announced by the chancellor on the 25th November, although not as difficult as anticipated, is still one of the tightest in post war history.

Even so there were some potentially positive proposals as the government have recognised the pressure social care authorities are under and the importance of integrating our services with the NHS. The devil will, however, be in the detail.

The Spending Review did contain announcements of funding reductions for Public Health and other services. There are also some extra costs including those arising from the apprenticeship levy. Overall funding for local government continues to fall sharply with a 56% real terms decrease in the local government expenditure limit set by government. This is larger than any government department. The Government, however, have announced that overall there will be a real terms decrease of 7% in overall local government funding once other sources of income are included such as the proposed Social Care precept.

The position for Leicestershire is particularly difficult given our starting point of being the lowest funded county council. If we were funded at the same level in terms of spending power' as East Sussex we would be £83m better off. We continue to make our case to government. We have come up with proposals for a new damping system.

The current Local Government Finance Settlement includes a "floor" system where authorities' overall change in Spending Power is compared to a level set by DCLG and those authorities seeing a greater reduction are given Efficiency Support Grant to raise their funding to that "floor" level. The focus of the system is on the change in Spending Power, rather than the level of funding of authorities.

Our proposal is that the floor is based on the level of funding per dwelling each authority receives. To give a measure of protection to particularly low funded authorities, it is suggested that DCLG sets a floor level of funding, and that authorities with funding below that level be provided with a separate amount of grant to lift their funding to the floor amount. The floors could be reduced each year to allow the Government to meet its deficit reduction plans. If the floor was set at the same 'spending power' as Staffordshire we would be £14m better off.

Overall our position is extremely challenging. As we stand at the moment we need to make all £82m of the savings in the current MTFS and because of demand and costs pressures including the living wage by 2019/20 we believe the savings requirement will rise to £130m.

Following the Autumn Statement, hopefully our funding position will improve a little. But even if this happens we face an extremely bleak future. Some counties have already got into financial difficulty, including Northamptonshire, Somerset and Buckinghamshire who have already stopped non- essential expenditure. It is only through sound financial management and a real focus on planning that the County Council will be able to meet this challenge.

The up and coming MTFS will include some very tough decisions, particularly on service reductions and other savings required to balance the budget. The Government has in effect ‘devolved’ the funding of severe pressures on social care, much of which relates to the National Living Wage. The ability to add 2% each year to council tax in the form of a social care “precept” will need careful consideration and if agreed will lead to more significant costs falling on council tax payers than the Council had originally planned.