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## TRAFFORD COUNCIL

### AGENDA PAPERS MARKED 'TO FOLLOW' FOR EXECUTIVE

Date: Monday, 26 January 2015

Time: 1.00 pm

Place: Council Chamber, Trafford Town Hall, Talbot Road, Stretford M32 0TH

AGENDA	PART I	Pages
<b>3. MINUTES</b>		
To receive and, if so determined, to approve as a correct record the Minutes of the meeting held on 1 <sup>st</sup> December 2014 and of the Special Meeting held on 15th December 2014.		
(a)	Minutes - Meeting 1/12/14	To Follow
(b)	Minutes - Special Meeting 15/12/14	To Follow
<b>8. PROVISIONAL LOCAL GOVERNMENT FINANCIAL SETTLEMENT 2015/16</b>		1 - 8

To consider a report of the Executive Member for Finance and Director of Finance.

**THERESA GRANT**  
Chief Executive

#### Membership of the Committee

Councillors S. Anstee (Chairman), M. Cornes, M. Hyman, J. Lamb, P. Myers, J.R. Reilly, A. Williams and M. Young (Vice-Chairman).

## **Executive - Monday, 26 January 2015**

### Further Information

For help, advice and information about this meeting please contact:

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This agenda was issued on Friday 16<sup>th</sup> January 2015 by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH

## **TRAFFORD COUNCIL**

**Report to:** Executive  
**Date:** 26 January 2015  
**Report for:** Information  
**Report of:** Executive Member for Finance and Director of Finance

### **Report Title**

**PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16**

### **Summary**

In respect of the main funding allocations, the national settlement funding assessment (spending control total) has been set at £20.758bn in 2015/16, a reduction of £3.354bn or 13.91% on the adjusted 2014/15 position.

The settlement funding assessment for Trafford in 2015/16 is £63.458m and represents a £10.729m or 14.46% reduction on the adjusted position for 2014/15.

The provisional 2015 -16 Dedicated Schools Grant (DSG) allocation is £174.727m. The amount per pupil in 2015 -15 is £4,227.51 which is marginally less the rate of £4,232.12 in 2014 - 15.

Capital allocations received to date are broadly in line with expectation.

The announcement makes little change to the level of savings that the Council must make in 2015/16.

The final settlement will be announced in February.

### **Recommendation(s)**

That the Executive notes the report and takes the grant settlement into account when setting the budget in February 2015.

Contact person for access to background papers and further information:

Name: Graeme Bentley

Extension: 4336

Background Papers: DCLG publication: Provisional Local Government Finance Settlement, England 2015 to 2016

[Provisional local government finance settlement: England, 2015 to 2016 - GOV.UK](#)

## Implications:

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	The recent funding announcements have identified the main grant income available to the Council for 2015/16. At this stage the allocations are £0.216m lower than assumed at draft budget stage for the reasons given in the report.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Staffing/E-Government/Asset Management Implications	None arising out of this report
Risk Management Implications	None arising out of this report
Health & Wellbeing Implications	None arising out of this report
Health and Safety Implications	None arising out of this report

## Background

1. The provisional local government finance settlement was announced on 18 December 2014 detailing the level of Government support that will be available to the Council in 2015/16. Usually the Government also provides indicative allocations for the following year ie 2016/17 but these have not been announced due to the Spending Round anticipated later in the summer which will set out the new Government's departmental spending plans for the next Parliament. This settlement is broadly in line with expectation and confirms the significant reductions in funding that were assumed in our budget process.
2. It is expected that the final settlement will be announced in early February.

## Key Headlines

3. The major headlines at a national level included in this settlement are:-
  - There is a cut in net Aggregate External Finance of 13.9 per cent in 2015-16, on a like for like basis, when compared with 2014-15
  - There is an overall reduction of revenue spending power of 1.8 per cent in 2015-16; this is based on the Government's method of calculation and includes the Better Care Fund (see later).
  - The council tax freeze grant of one per cent will be extended for 2015-16.
  - The Government has announced that council tax increases of 2 per cent or over will be subject to a referendum.
  - Confirmation that the Government will pay in full for a further year's cap of 2 per cent on the multiplier for business rates, and other changes announced in the Autumn Statement, through a ~~Page 32~~ grant.

## Spending Power

4. In a similar manner to the previous four years, the Government's headlines focus on comparative figures concerning a local authority's "revenue spending power" – a definition which encompasses an individual authority's:
  - Council Tax Requirement
  - Settlement funding assessment (Business rates share, plus Revenue Support Grant)
  - New Homes Bonus
  - Better Care Fund (even though this does not belong to local authorities)
  - Other specific grants (but not all)
  - Public Health Grant
  
5. In April 2015, there will be significant changes to the funding of health and social care, and policy changes will create new burdens for local authorities (see para 16). In order to allow 'fair comparison' between years, DCLG has adjusted 2015/16 spending power to include relevant like for like adjustments. The figures included in the Council's Spending Power represent the full share of the Better Care Fund (£14m in 2015/16) yet it is expected that the Council will only receive a proportion of this funding. Also it is not yet known how much existing funding is being replaced by the new Fund.
  
6. The Government has announced an average reduction in "Spending Power" of 1.8% which compares to Trafford's reduction in 2015/16 of 0.7%. A breakdown of the total figures across AGMA authorities is shown below. Note the first set of figures include the Better Care Fund (BCF), whilst the second set excludes it as this gives a fairer comparison.

<b>Spending Power 2014/15 to 2015/16</b>						
	<b>Incl BCF</b>			<b>Excl BCF</b>		
	2014/15	2015/16	Change	2014/15	2015/16	Change
	£m	£m	£m	£m	£m	%
England	49,796.109	48,876.714	-1.8%	48,131.109	45,416.714	-5.6%
Bolton	260.118	250.597	-3.7%	250.733	231.637	-7.6%
Bury	158.801	155.078	-2.3%	153.146	143.351	-6.4%
Manchester	552.419	524.285	-5.1%	534.114	486.647	-8.9%
Oldham	229.447	219.024	-4.5%	221.695	202.988	-8.4%
Rochdale	218.714	209.093	-4.4%	211.229	193.968	-8.2%
Salford	261.130	251.023	-3.9%	252.208	232.943	-7.6%
Stockport	248.336	245.615	-1.1%	239.457	227.211	-5.1%
Tameside	207.190	199.263	-3.8%	199.542	184.123	-7.7%
<b>Trafford</b>	<b>175.869</b>	<b>174.656</b>	<b>-0.7%</b>	<b>169.196</b>	<b>160.553</b>	<b>-5.1%</b>
Wigan	283.706	276.628	-2.5%	272.806	254.287	-6.8%

## Settlement Funding Assessment (SFA)

7. The Settlement Funding Assessment represents the large block grant given to each local authority; authorities are free to decide how to spend this grant. It comprises of two elements, Revenue Support Grant and a share of business rates. The national settlement funding assessment (spending control total) has been set at £20.758bn in 2015/16, a reduction of £3.354bn or 13.91% on the adjusted 2014/15 position. Trafford's reduction is 14.5% - see table below. The 2015/16 national total includes for:-

- A reduction in the holdback for the New Homes Bonus by £50m from £1bn to £950m.
- The roll in of the 2014-15 council tax freeze grant and into Revenue Support Grant.
- Compensation for the 2% cap on the small business rates multiplier .
- Hold back £50m for the cost of the rates retention safety net.
- The inclusion of £129.6m in respect of New Local Welfare Provision.
- A "small" transfer out in respect of carbon reduction commitment.

Trafford's settlement funding for 2015/16 is £63.458m and represents a 14.46% reduction on the adjusted 2014/15 position.

	<b>Adj 2014/15 £m</b>	<b>2015/16 £m</b>	<b>Reduction £m</b>	<b>Reduction %</b>
<b>England</b>	<b>24,112.195</b>	<b>20,758.539</b>	<b>3,353.656</b>	<b>13.91%</b>
<b>AGMA:</b>				
Bolton	135.336	114.590	20.746	15.33%
Bury	72.414	61.599	10.815	14.93%
Manchester	355.289	299.277	56.012	15.77%
Oldham	129.127	109.207	19.920	15.43%
Rochdale	122.672	104.144	18.528	15.10%
Salford	146.064	123.499	22.565	15.45%
Stockport	96.768	82.340	14.428	14.91%
Tameside	112.551	95.059	17.492	15.54%
<b>Trafford</b>	<b>74.187</b>	<b>63.458</b>	<b>10.729</b>	<b>14.46%</b>
Wigan	141.139	119.537	21.602	15.31%
<b>GM Average</b>	<b>1,385.547</b>	<b>1,172.710</b>	<b>212.837</b>	<b>15.36%</b>

8. A comparison of the components of SFA i.e. a share of business rates and Revenue Support Grant, on a year-on-year comparison on an unadjusted basis is shown below. It can be seen that the reduction in RSG is significant and reflects the impact of the austerity funding reductions.

	<b>2014/15 £m</b>	<b>2015/16 £m</b>
<b>SFA</b>	<b>72.735</b>	<b>63.458</b>
<b>Comprises:-</b>		
Retained Business Rates	32.434	33.054
RSG	40.301	30.404
Reduction in RSG		<b>-24.6%</b>

### **Business Rates**

9. A number of changes were made in the Autumn Statement that will impact on the Council's business rate forecasting:-
- The current doubling of the small business rate relief will continue in 2015/16;
  - 1.91% cap on the increase in the Small Business Rate Relief Multiplier will be applied (multiplier = 48.0p) (should have been 2.3%);
  - The current £1,000 business rates discount to retailers will continue in 2015/16 and will increase to £1,500;
  - In respect of business rate appeals, the Government will change the rules so that alterations to rateable values can only be backdated to the period between 1 April 2010 and 1 April 2015 for Valuation Office Agency alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015.
10. The Government will make a number of S31 grant payments to compensate councils for reductions to business rate yield caused by the measures.
11. Estimates of business rates yield are currently being finalised for 2015/16 and these will be submitted to DCLG at the end of January.

### **Specific Grants**

12. The 2015-16 Dedicated Schools Grant (DSG) allocation is £174.737m, the equivalent figure received in 2014-15 was £174.499m. However, we have not yet had an allocation for 2 year old funding which amounted to £2.407m in 2014-15; it is expected that this will be announced in June and will be a similar figure. Therefore, the increase in funding is approximately £2.635m. This increase is due to:-
- additional pupil numbers in schools and early years settings (490) amounting to £2.063m;
  - an increase in the per pupil amount due to a distribution of £390m to Local Authorities intended to ensure minimum funding levels £0.097m;
  - Early Years Pupil Premium Grant £0.17m;
  - a reduction in the Carbon Reduction Commitment charge £0.01m; and
  - High Needs places growth £0.294m

13. The DSG figure shown above is prior to adjustments for:-

- Academies recoupment;
- deductions for high needs places in academies and non-maintained special schools;
- deduction for national copyright licences;
- updates to the funding for three and four year olds;
- initial allocations for disadvantaged two year olds; and
- updates to the early years pupil premium.

14. The amount per pupil in 2015 - 16 is £4,227.51 compared to £4,232.12 in 2014 - 15. This has reduced due to the Carbon Reduction Commitment (CRC) deduction being taken from the DSG on a simple per pupil basis rather than a deduction based on their spending in 2013 - 14 (£7.51), and has increased by £2.91 which is Trafford's share of the Minimum Funding Level increase.

15. Schools budgets are protected by the minimum Funding Guarantee (MFG) which means that their budgets can't fall by more than 1.5% per pupil. It is anticipated that this will increase in future years so that schools will not be as well protected. Trafford's MFG costs £2.7m and is paid for by capping schools who gain from the formula.

16. The allocation of Education of Services Grant is £2.782m and represents a reduction of £0.671m (24%) from 2014/15, reflecting the reduction to the grant nationally of £200m.

17. Some social care funding will be received through the Better Care Fund and final allocations still need to be determined. The implementation of Part 1 of the Care Act from 1<sup>st</sup> April 2015 requires support to be given to carers; the introduction of the national eligibility threshold; changes to deferred payment arrangements and early assessment of self funders. Care Act funding for Trafford is £1.227m in 2015/16.

### **Capital Allocations**

18. A number of announcements have been made to date:-

- DfE – Basic Need allocations have been confirmed for 2015/16 at £4.053m. This is included in the Capital Programme. Allocations have been announced for 2016/17 at £4.255m.
- DfT/GMCA – Highway Structural Maintenance Grant £2.327m (as per budget assumption).
- DCLG – Disabled Facilities Grant support of £0.914m in 2015/16.
- DoH – Adult Personal Social Care grant of £0.527m in 2015-16.



## MTFP Implications

19. In terms of settlement funding the allocation for 2015/16 of £63.458m represents a reduction of £114k compared to the current budget assumption. This is a 14.5% reduction compared to the budget assumption of 12.6%. At this stage, including the announcements on a number of specific grants, it is estimated that the current resource notifications for 2015/16 are £216k lower than those forecast at draft budget stage.

<b>2015/16</b>	<b>Draft budget assumption</b>	<b>Settlement December 2014</b>	<b>Difference</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Settlement Funding</b>	<b>63,572</b>	<b>63,458</b>	<b>114</b>
<b>Specific Grants</b>			
New Homes Bonus	<b>425</b>	<b>578</b>	<b>(153)</b>
Returned New Homes Bonus	<b>214</b>	104	<b>110</b>
Council Tax Freeze Grant 2015/16	<b>899</b>	904	<b>(5)</b>
Education Support Grant	<b>2,553</b>	2,782	<b>(229)</b>
Public Health Grant	<b>10,829</b>	10,829	
Housing Benefit Admin Subsidy	<b>931</b>	901	<b>30</b>
Local Council Tax Support Admin Subsidy	<b>245</b>	220	<b>25</b>
Intensive Fostering	<b>78</b>	0	<b>78</b>
Extended Right to free travel	<b>32</b>	25	<b>7</b>
Adopter Reform Grant	<b>197</b>		<b>197</b>
Looked After Children	<b>82</b>	41	<b>41</b>
Local Reform and community Voices	<b>171</b>	127	<b>43</b>
New Burdens Council Tax Reform	<b>0</b>	42	<b>(42)</b>
<b>Total to date</b>	<b>80,227</b>	<b>80,011</b>	<b>216</b>

In addition a new allocation effective from September 2015 has been announced of £1.642m in respect of transfer of public health funding for children 0 - 5 but this will be matched by new responsibilities.

**Other Options**

Not applicable

**Consultation**

Not Applicable

**Reasons for the Recommendation**

**Finance Officer Clearance** (type in initials) .....GB.....

**Legal Officer Clearance** (type in initials) .....HK.....

**Director of Finance** .....  .....

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.