

Public Document Pack

EXECUTIVE BOARD

10TH FEBRUARY 2016

ITEM 22 SUPPLEMENTARY DOCUMENT –

**BRIEFING NOTE IN RESPECT OF THE REPORT ON THE REVENUE BUDGET
PROPOSALS AND CAPITAL PROGRAMME**

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1. Introduction

- 1.1 The Secretary of State for Communities and Local Government published the Provisional Local Government Finance Settlement on the 17th December 2015. The provisional settlement set out detailed funding proposals for each local authority for 2016-17 together with an offer of indicative allocations for 2017-18 through to 2019-20.
- 1.2 Consultation on the settlement closed on 15th January and the final settlement papers were issued on 8th February, ahead of a formal parliamentary motion and debate on 10th February.
- 1.3 **The funding allocations for Leeds are unchanged from the provisional settlement.** In addition:
- All authorities are to receive at least the amount set out in the provisional settlement.
 - Additional transitional funding of £150m is to be provided in both 2016-17 and 2017-18 to authorities that were facing the “sharpest reductions in Revenue Support Grant”. The biggest gainers appear to be Surrey, Hampshire and Hertfordshire, who between them will gain £29m in 2016-17.
 - None of the Core cities or West Yorkshire districts will receive transitional funding. The only LCR authorities that do so are Harrogate (£193k) and York (£780k).
 - Rural Services Delivery Grant, which supports certain rural districts, is to be increased from £20m to £80.5m for 2016-17.
 - The final settlement also confirms that authorities will be given until 14th October 2016 to decide whether to take up the four-year funding offer.
 - There was no announcement on Public Health allocations.

2. Changes from the Provisional Settlement

- 2.1 Leeds’ 2016-17 provisional Settlement Funding Assessment (SFA), which comprises Revenue Support Grant and the Business Rates Baseline, is confirmed, so the funding assumptions in the Budget Report are unchanged. The details are shown in the following table:

	Settlement Funding Assessment Adjusted 2015/16 £m	Settlement Funding Assessment FINAL 2016/17 £m
Revenue Support Grant	128.373	93.048
Business Rates Baseline	176.675	178.147
Total	305.048	271.195
Less Tariff	-32.877	-33.151
Leeds’ Settlement Funding Allocation	272.171	238.044
Reduction (compared to 2015/16 adjusted)		-34.127

- 2.2 In cash terms the SFA for 2016/17 is 11.2% less than in 2015/16, but in order to provide a proper year on year comparison, the Government has had to adjust the SFA for 2015/16, largely to take account of Care Act funding which is to be rolled into SFA for 2016/17. On this

basis the reduction in the Council's SFA from 2015/16 is £34.127m, or 12.5%, which is exactly in line with the average for England. However, if the transition grant going to other councils is taken into account, then the average for England drops to 11.8%, indicating that Leeds' relative position has worsened.

2.3 Indicative SFAs for Core Cities and West Yorkshire authorities for future years are also unchanged:

	Adjusted SFA 2015/16 £m	FINAL SFA 2016/17 £m	INDICATIVE SFA 2017/18 £m	INDICATIVE SFA 2018/19 £m	INDICATIVE SFA 2019/20 £m	% Change in SFA between 2015/16 and 2019/20
LEEDS	272.17	238.04	212.87	198.69	184.84	-32.1%
Birmingham	611.91	554.42	512.03	488.13	464.88	-24.0%
Bristol	176.33	153.72	137.03	127.64	118.45	-32.8%
Liverpool	299.17	271.15	250.49	238.84	227.50	-24.0%
Manchester	305.03	277.37	256.97	245.48	234.27	-23.2%
Newcastle	156.32	140.49	128.81	122.23	115.83	-25.9%
Nottingham	163.24	146.77	134.61	127.77	121.08	-25.8%
Sheffield	250.48	223.09	202.89	191.50	180.42	-28.0%
Bradford	236.60	211.39	192.80	182.33	172.12	-27.3%
Calderdale	73.51	63.95	56.90	52.93	49.05	-33.3%
Kirklees	141.95	123.51	109.92	102.26	94.79	-33.2%
Wakefield	123.92	108.93	97.88	91.65	85.59	-30.9%
West Yorkshire Fire	45.85	43.13	39.83	38.43	37.86	-17.4%
Average Core Cities	279.33	250.63	229.46	217.54	205.91	-26.3%
Average West Yorkshire	169.63	149.17	134.07	125.57	117.28	-30.9%
Average England	21,249.94	18,601.46	16,623.89	15,558.86	14,499.70	-31.8%

2.4 The Government is using a new measure this year: "Core Spending Power" (which includes SFA, Council Tax and New Homes Bonus (NHB)). The Core Spending Power takes account of growth in the Council Tax base and assumes that upper-tier authorities increase their council tax by an average of 1.75% and by the newly introduced Adult Social Care precept of 2.0%. The new transition grant and the increases in Rural Services Delivery Grant have been added to Core Spending Power. The percentage changes to Core Spending Power are now:

	Core Spending Power % Change				
	15/16 Adjusted to 16/17	16/17 to 17/18	17/18 to 18/19	18/19 to 19/20	15/16 Adjusted to 19/20
Leeds	-3.60%	-1.98%	0.94%	2.18%	-2.54%
Core Cities	-4.01%	-1.98%	1.26%	2.17%	-2.65%
Shire Counties	-1.98%	-0.97%	1.86%	3.42%	2.25%
Unitaries	-2.53%	-1.53%	0.71%	2.54%	-0.89%
Metropolitan Districts	-3.82%	-1.84%	1.48%	2.39%	-1.92%
London Boroughs	-2.85%	-1.57%	0.34%	2.27%	-1.87%
Total England	-2.30%	-1.34%	0.77%	2.53%	-0.41%

This represents a significant improvement for shire counties and unitaries for 2016-17 and 2017-18 and increases the disparities when compared to metropolitan districts.

- 2.5 225 authorities benefit from the new transitional grant. The 20 authorities with the highest allocations are shown below:

	Transition Grant £ millions 2016-17	Transition Grant £ millions 2017-18	Transition Grant £ millions Total 2016-2018
Surrey	11.93	12.17	24.10
Hampshire	9.35	9.34	18.69
Hertfordshire	7.76	7.85	15.61
Essex	6.96	6.97	13.93
West Sussex	6.17	6.25	12.43
Kent	5.68	5.68	11.37
Buckinghamshire	4.64	4.59	9.22
Oxfordshire	4.45	4.46	8.92
Leicestershire	3.31	3.31	6.61
Cambridgeshire	3.20	3.17	6.38
Wiltshire	3.02	3.01	6.03
Warwickshire	2.99	2.99	5.98
North Yorkshire	2.99	2.96	5.95
Cheshire East	2.97	2.97	5.95
Dorset	2.97	2.95	5.92
Richmond upon Thames	2.91	2.92	5.83
Devon	2.82	2.81	5.63
Staffordshire	2.77	2.79	5.57
East Sussex	2.70	2.70	5.40
Worcestershire	2.52	2.52	5.04
England	150.00	150.00	300.00

Although the main gainers are shire counties, many district councils and some unitaries, London boroughs and metropolitan authorities also receive transition grant. For example: Richmond on Thames gains £2.9m and both Wokingham and Bromley gain £2.1m in 2016-17. Four metropolitan districts gain funding: Stockport and Solihull both receive £1m and Trafford receives £465k and Bury receives £26k. It is not yet clear how the transition grant allocations have been calculated.

- 2.6 The Final Settlement confirms that the council tax referendum limit will remain at 2.0% for 2016/17 for single tier authorities. The lowest cost districts and police authorities will have a limit of £5.00 on a band D charge if higher.
- 2.7 The final settlement indicated that authorities would have until 14th October 2016 to decide whether to take up the four-year funding offer, but no further details are available at this stage.

3. Recommendation for Executive Board

3. It is recommended that Executive Board:

- a) note that the 2016-17 funding allocations for Leeds have been confirmed by the final settlement and that the 2016-17 Budget proposals are unchanged; and
- b) agree that an explanation of the changes for other authorities be incorporated into the 2016-17 Revenue Budget and Council Tax Report to be considered by Council on 24th February 2016.

Mike Woods
Corporate Financial Services
8th February 2016

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