



Cabinet Meeting

14 January 2015

Report title	2015/16 Budget and Medium Term Financial Strategy 2015/16 – 2018/19 – Provisional Local Government Finance Settlement Update	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Keith Ireland, Managing Director Linda Sanders, People Tim Johnson, Place	
Originating service	Delivery	
Accountable employee(s)	Mark Taylor	Director of Finance Tel 01902 556609 Email mark.taylor@wolverhampton.gov.uk
Report to be/has been considered by	Confident Capable Council Scrutiny Panel	4 February 2015

Recommendations for noting:

The Cabinet is asked to note:

1. The outcome of the 2015/16 provisional local government finance settlement.
2. The update to Cabinet on 4 February 2015 will reflect the outcome of budget consultation, which is due to be complete on 15 January 2015. This report will also include the outcome of detailed budget work for 2015/16 including a review of all savings and the risks associated with their delivery.

1.0 Purpose

- 1.1 The purpose of this report is to provide Cabinet with an update on the 2015/16 provisional local government finance settlement.

2.0 Summary

- 2.1 On 18 December the Government announced the provisional local government finance settlement for 2015/16. The 2015/16 provisional local government finance settlement is little changed from the “illustrative” 2015/16 settlement issued at the same time as the 2014/15 settlement in January 2014.

3.0 Background

- 3.1 The Budget and Medium Term Financial Strategy for the period 2014/15 to 2018/19 was presented to Council for approval on 5 March 2014. This report included corporate resources projections over the medium term period to 2018/19, based on the 2014/15 final settlement and “illustrative” settlement for 2015/16.

4.0 Headlines

- 4.1 The 2015/16 provisional settlement is little change from the “illustrative” 2015/16 settlement issued as part of the 2014/15 settlement in January 2014.
- 4.2 The council tax referendum limit will again be 2.0% for all authorities, with the freeze grant offer confirmed as 1% of the enhanced tax base. The Council Tax Base and NNDR (Business Rates) Net Rate Yield 2015/16 report to be presented to Cabinet at this meeting, proposes that the council tax base for 2015/16 is set at 59,103.95 Band D equivalents with a 1.99% increase in council tax.
- 4.3 As a result of the provisional settlement, the headline national reduction in spending power is 1.8%. The government define spending power as general government grants, ring-fenced grants including the Public Health Grant, pooled funding (Better Care Fund), council tax and business rates.
- 4.4 With the exclusion of ring-fenced grants, such as the Public Health grant, and pooled funding (Better Care Fund), which are ring-fenced for specific use within those service areas, the reduction in national spending power is 6.1% - this is the measure CIPFA use. Wolverhampton’s reduction in spending power is significantly greater than the national average, as set out in paragraph 5.2.
- 4.5 Funding includes £50 million of New Homes Bonus topslice that has previously been paid via an adjustment grant during the year, which has already been reflected in the Medium Term Financial Strategy projections.

5.0 Impact on the Medium Term Financial Strategy

5.1 As the settlement is broadly in line with the 2015/16 “illustrative” settlement, there is little resultant change to the Medium Term Financial Strategy. The figures are provided in the table below:

Table 1 – 2015/16 Provisional Settlement Details

	MTFS	Settlement	Difference	
	Assumption		Over/(Under)	
	£m	£m	£m	%
Top Up Grant	36.198	35.899	(0.299)	(0.8)
Revenue Support Grant	61.990	62.667	0.677	1.1
New Homes Bonus	3.202	3.203	0.001	0.0
	101.390	101.769	0.379	0.4

5.2 The comparative government grant data for 2014/15 and 2015/16 is provided in the table below:

Table 2 – Comparison of 2014/15 Settlement to 2015/16

	2014/15	2015/16	Difference	
	£m	£m	£m	%
Top Up Grant	35.226	35.899	0.673	1.9
Revenue Support Grant	86.956	62.667	(24.289)	(27.9)
New Homes Bonus	2.328	3.203	0.875	37.6
	124.510	101.769	(22.741)	(18.3)

5.3 Year on year Wolverhampton has seen a substantial reduction in spending power, as detailed below:

- A reduction of 4.95% based on the Government’s measure of spending power, compared to the overall national reduction of 1.8%.
- A reduction of 9.2% based on the CIPFA preferred measure of unfenced funding (i.e. excluding Public Health and Better Care Fund funding), compared to the overall national reduction of 6.1%.

5.4 Recent data from the Department for Communities and Local Government (DCLG) has also confirmed that Wolverhampton has seen reduced funding of £2.6 million as a result of the implementation of the New Homes Bonus.

6.0 Detailed Budget Review

6.1 The update to Cabinet on 4 February 2015 will reflect the outcome of budget consultation, which is due to be complete on 15 January 2015.

- 6.2 This report will also include the outcome of detailed budget work for 2015/16 including a review of all savings and the risks associated with their delivery.

7.0 Financial implications

- 7.1 The financial implications are discussed within the body of the report.
[MH/05012015/R]

8.0 Legal implications

- 8.1 The Council's revenue budgets make assumptions which must be based on realistic projections about available resources, the costs of pay, inflation and service priorities and the likelihood of achieving any savings proposals.
- 8.2 The legal duty to spend with propriety falls under S.151 Local Government Act 1972 and arrangements for proper administration of their affairs is secured by the S.151 Officer as Chief Financial Officer.
[TS/05012015/P]

9.0 Equalities implications

- 9.1 Under the Equality Act 2010, the council has a statutory duty to pay due regard to the impact of how it carries out its business on different groups of people. This is designed to help the council identify the particular needs of different groups and reduce the likelihood of discrimination.
- 9.2 In relation to determining the overall revenue budget for the council there is always a difficult balance to be struck in deciding the levels at which to invest, reduce expenditure and raise income set against the often competing needs of different groups within the Wolverhampton community.
- 9.3 In summary the council's annual budget and medium term financial strategy supports a range of services designed to meet key equalities objectives. A cumulative equalities analysis will be conducted on the overall budget proposals. This is will be made available on the Council's website.

10.0 Schedule of background papers

- 10.1 Council Tax Base and NNDR (Business Rates) Net Rate Yield 2015/16, report to Cabinet, 14 January 2015.

5 Year Budget and Medium Term Financial Strategy 2014/15 to 2018/19, report to Council, 5 March 2014.