

Resourcing assumptions and future risks

2019/20 was the fourth and final year of a four year funding settlement for the Council, agreed with the Government. This four year settlement provided the Council with some certainty over funding levels, but has nonetheless resulted in year on year funding reductions. A review of Local Government funding has been ongoing during 2019 (the 'fair funding' review) but has not yet concluded. A full spending review did not take place during 2019 and is not now expected until later in 2020. In September 2019, a one year budget was announced by the Government and in late December 2019 a provisional 2020/21 Local Government Finance Settlement was announced. The resourcing figures included in the budget are based on the provisional finance settlement which will be confirmed in February 2020.

Additional sources of service specific grant income remain limited. Additional Social Care Grant has been announced for 20/21 which will be used to support Children's Social Care Services. New Homes Bonus grant is greater than anticipated but is not expected in future years. The total available resources before any increase in Council Tax are summarised in the table below.

Available Resources	Business Rates & Grants	Council Tax and Collection Fund Surplus	New Homes Bonus Grant	Use of reserves	Total
February 2019 Budget Report					
Resources with 2.99% Council Tax Increase	(86,813)	(97,187)	0	(5,000)	(189,000)
Resources before any Council Tax Increase	(86,813)	(94,439)	0	(5,000)	(186,252)
Changes since February 2019					
Business Rates Income, Top up and grants	(2,940)				(2,940)
Use of 100% retention benefit	(1,319)				(1,319)
100% retention benefit returned from GMCA	(1,166)				(1,166)
Growth in Council Tax Base		(1,112)			(1,112)
New Homes Bonus in excess of forecast			(1,384)		(1,384)
Additional targeted use of reserves				(7,395)	(7,395)
Resourcing before Council Tax Increase	(92,238)	(95,551)	(1,384)	(12,395)	(201,568)

New Homes Bonus £1,384k

Changes were made to the New Homes Bonus grant two years ago, introducing a national baseline for housing growth and reducing the period over which the grant is paid to four years from 2018/19. These changes have reduced the amount of grant the Council receives. The level of grant expected in 20/21 is greater than originally anticipated due to additional growth in the Council Tax base, but the funding is for one year only. The future of New Homes Bonus is expected to become clearer later in 2020.

Collection Fund Surplus £2,500k

As a billing authority, the Council is required to maintain a separate 'Collection Fund' for all transactions relating to income from business rates and Council Tax. The Collection Fund is currently in surplus due to Council Tax collection rates being better than originally forecast. The estimated surplus at the end of 2018/19 will be transferred into reserves in 2019/20, and a further surplus is forecast for 2019/20. This surplus can be used to support the budget, and an amount of £2,500k per year will be utilised over the four years 2019 to 2023.

Business Rates, Top Up Grant and Business Rates Reliefs Reimbursement Grants £92,238k

The Council collects Business Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform Business Rate set nationally by Central Government. The Council retains a proportion of the total collectible rates due. Since 2017/18, the Council has been part of the 100% retention pilot for Greater Manchester which means that the Council retains 99% of total collectible rates, with 1% distributed to the Greater Manchester Fire and Rescue Authority. The Council no longer receives any Revenue Support Grant or Public Health Grant from Central Government as a result.

The Business Rates regime, includes a number of reliefs such as Small Business Rate Relief, Charitable Occupation Relief and a new Retail Discount Relief from 2019/20. Where mandatory reliefs are awarded by the Council, the loss in business rates revenues is reimbursed by Government through grant. The Council also receives a 'Top-Up Grant' for the difference between the level of business rates it is able to collect and the level that Government assesses the Council needs as part of the finance.

The total forecast income from Business Rates and related grants reflects the business rates baseline and top up grant figures in the provision local government finance settlement. The assumed benefit of the 100% retention pilot is based on the level of benefit in 2020/21 being similar to that experienced in 2019/20, and includes an expected return of business rates from Greater Manchester Combined Authority in 2019/20. Any Business Rates income in excess of forecasts will be taken to reserves for future investment. If Business Rates income falls below forecasts, the deficit in year will need to be repaid from reserves in 2021/22.

Council Tax

After taking account of budget pressures, additional income and savings identified for delivery in 2020/21, the total net budget requirement for the Council is £205,279k. Before any increase in Council tax levels, the resource available in 2020/21 is £201,568k, leaving a gap of £3,711k.

After reflecting additional income due to the increase in the Council Tax Base and improved collection rates, there remains a shortfall in resources, which can be closed with a 3.99% increase in Council Tax levels, 1.99% being the general increase and 2% for the Adult Social Care Precept.

The current Government expects Council's to increase Council Tax year on year, and this assumption is built into the Local Government Finance Settlement. Prior to 2018/19, the Government had set a 'referendum limit' of 1.99% for general increases, but this was uplifted to 2.99% for 2018/19 and 2019/20.

For 2019/20, Council Tax was increased by 3.99%, 2.99% being the general increase and 1% for the Adult Social Care Precept. The MTFP approved alongside the 2019/20 budget assumed that general Council Tax increases would continue at a minimum of 2.99%.

The 20/21 provisional settlement has reduced the referendum limit back down to 1.99% for general increases in Council Tax but has extended the Adult Social Care, enabling a further 2% in 2020/21.

Before raising tax, the Council takes steps to ensure that Council Tax income and collection is maximised. A review of Single Person Discounts was undertaken in 2016 and another review commenced in 2019. The Council is proactive in monitoring new build properties to ensure the forecast number of properties reflects expected increases during the year. There is a significant surplus on the Collection Fund relating to Council tax because collection rates have been better than previously assumed. This surplus is being released in 2019/20 to support the budget over the next 4-5 years. The assumed rate of collection was increased in 2019/20 and this is reflected in the resources available before Council Tax increases.

Gap between budget requirement and resources for 2020/21	Gap 2020/21 £000s
February 2019 Budget reported gap:	
Pressures	11,802
Savings and other budget reductions	(3,758)
Reduction in resources (excluding reserves)	3,503
Planned reduction in use of reserves	4,300
Total Gap reported in February 2019	15,847
January 2020 position	
Additional Pressures identified since February 2019	15,782
Additional Savings and Income	(15,350)
Increase in resources before Council Tax Increase	(5,173)
Increase in planned use of reserves	(7,395)
Current Gap before Council Tax Increase	3,711