

CABINET – 21 DECEMBER 2010

ADDENDA - BUSINESS STRATEGY & SERVICE AND RESOURCE PLANNING 2011/12 – 2015/16

**Report by Chief Executive, Assistant Chief Executive (Strategy) and
Assistant Chief Executive & Chief Finance Officer**

Provisional Local Government Settlement

1. On Monday 13 December the Government announced the details of the provisional Local Government Finance settlement. Not all of the information is available yet and further announcements are still expected. The level of changes and the details provided has meant that it has taken longer for us to assess what it will mean for Oxfordshire.
2. Until the final settlement is received at the end of January 2011, there could still be further changes in funding. The consultation period on the settlement ends on 17 January 2011, and we will expect to receive the final version soon after that date. Should further changes be announced councillors will be notified at that time.

Revenue Funding

3. The council has been planning to make savings totalling £119m over the 4 year period of the spending review to 2014/15. This sum is made up of a combination of anticipated grant reductions of £67.2m and savings of £52.04m which were built into the current Medium Term Financial Plan. The anticipated grant reductions were revised from £100m to £67.2m following the Spending Review in October 2010 and reported to Cabinet in November 2010. The full table is below:

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	TOTAL £M
Total Target Savings	58.65	34.82	13.92	11.86	119.25
Current MTFP Savings	24.94	22.65	2.78	1.67	52.04
Further Grant Reduction	33.71	12.17	11.14	10.19	67.22
Provisional Settlement	33.69	12.11	-	-	

4. The settlement has provided provisional figures for years 2011/12 and 2012/13. The grant reductions for those years are £33.69m in 2011/12 and £12.11m. These are both very slightly (£0.02m and £0.06m respectively) less than the estimate. On this basis, it is therefore proposed that the targets for the two further years are maintained at the levels set out above.

5. Whilst the figures are very close to the target, there are differences in the assumptions made on formula grant and specific grants, and there is also a further funding gap, which will need to be met, for the shortfall in funding of concessionary fares.
6. The planning assumption for concessionary fares was that there would be sufficient funding provided for this transfer of function, so it had a neutral impact, increasing both expenditure and grant. However, the actual funding now identified is £4.0m less than the anticipated expenditure based upon what the district councils are currently spending. This gap will need to be added to the target savings for 2011/12.
7. The new Formula Grant funding model has simplified the number of grants we will receive, with many grants moved to formula grant, and others combined into an Early Intervention specific grant. There are also two further specific grants; the transfer of a previous income source from the PCT into a specific grant called Learning Disability and Health Reform; and also a new function specific grant for Lead Flood Authority.
8. A number of Specific grants have transferred into Formula Grant (£34.414m). These have been added to the 2010/11 Formula Grant total (£106.321m), along with further grant for the function changes such as concessionary fares (£4.974m). However, both a floor adjustment factor of 14.3% and then a Tailored Distribution factor (to passport funding to support those authorities who were most reliant of formula grant) have then been applied. The Formula Grant figure for 2011/12 is £121.822m, which is a loss of £18.916m before adding the concessionary fares, after which becomes a total shortfall of £23.89m.
9. The total of specific grants has reduced by £14.773m. Of this the new Early Intervention grant is £4.740m less than the total grants which we received in 2010/11. Further CYPF grants (from DfE and Home Office) appear to have ceased totalling £9.258m. However, it could be that some of these have yet to be notified. Other directorate grants totalling £1.226m also appear to have ceased.
10. The Learning Disabilities and Health Reform grant has increased by £0.451m to £19.224m compared to the income received in 2010/11 from the PCT. The other grant, £0.158m for Lead Flood Authority is a new function and neither the grant nor the expenditure were included in original planning assumptions.
11. Attached at Annex 1 is a schedule of grants for 2010/11 and the provisional position for 2011/12.
12. Another example of funding for which we are still awaiting information is the New Homes Bonus. The grant status of this isn't yet clear either, although it is assumed to be a specific grant. It is still the subject of consultation and is expected to be announced in the New Year.

Schools Funding

13. School Standards Grant, School Development Grant, and Standards Fund Grants have all been incorporated into the enlarged Dedicated Schools Grant without any loss of funding except for the Extended Schools Start Up funds, which have been removed as expected.
14. DfE have confirmed that the new per pupil value will be applied to OCC anticipated growth in primary pupil numbers and to the extra hours arising from increasing the entitlement for 3 year olds from 12.5 hours to 15 hours per week.
15. Funding from YPLA for schools sixth forms is estimated to reduce sharply due to the cessation of a previous protection mechanism which means that school sixth forms will in future be funded in the same way as FE colleges. This will be a reduction in funding for sixth forms, although it is not expected that the detail will be announced until January or later.
16. The Pupil Premium has been set at £430, and will be based on those eligible for free school meals, (not on take up of free school meals).
17. Overall the projected Dedicated Schools Grant for 2011/12 will be around £417.350m compared to £411.120m for 2010/11; this is a 1.5% increase.
18. Due to the increased size of the total Dedicated Schools Grant there should have been an increase in the amount which can be retained in centrally retained element, estimated to be £0.496m. However, around £0.430m will now be top sliced for academies funding resulting from changes in methodology for calculating their share of centrally retained Dedicated Schools Grant.

Capital Funding

19. The position for capital is better than anticipated in the last report to Cabinet. We have been notified of additional funding, however the funding streams have been notified for differing numbers of years, and we have had to make estimates in order to reflect the capital programme planning period through to 2015/16. The following additional funding is now estimated:

	Additional funding £m	Basis of estimate
Highways	7.657	2 yrs actuals; 2 yrs provisional and 1 yrs estimate
Schools	5.756	1 yr actual and 4 years estimate
Other blocks – health	2.400	2 years only
Capital Maintenance Grant *	11.500	1 year only, but may be provided in future on similar basis

*note – the capital maintenance grant is from the Department for Education and replaces the Schools devolved Formula Grant, for which £7.65m had previously been expected to go to schools.

20. We are still awaiting guidance from the DfE on the capital Maintenance grant, although it is expected to be required for building improvements and refurbishments.

Conclusion

21. Whilst there is a considerable amount of detail within settlement and a significant number of changes in funding streams, the latest position shows very little difference between the targets we had been working towards and this provisional settlement with the exception of the shortfall of funding of £4m for concessionary fares.

RECOMMENDATION

22. **The Cabinet is RECOMMENDED to:**
- (a) that the provisional settlement be noted and representation is made to the Secretary of State over the Concessionary Fare;**
 - (b) that a further target of £4.0m be added to 2011/12 due to the shortfall in funding on concessionary fares; and**
 - (c) the current savings targets be maintained for 2013/14 and 2014/15.**

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Background papers: Service & Resource Planning 2011/12 to 2015/16 and the Council's Business Strategy – Cabinet 20 July 2010; and 21 September 2010.

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16 December 2010