

Local Government Finance Settlement

Purpose of report

For discussion and direction.

Summary

This report summarises LGA activity on the Local Government Finance Settlement and the LGA response.

Recommendation

That the Panel endorse the response to the Local Government Finance Settlement, which was agreed by Finance Panel Office Holders, and note that lobbying will continue on key issues in the run-up to the Settlement being approved by Parliament in the second week of February.

Action

Officers to issue briefing for Final Settlement debate.

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Local Government Finance Settlement

Background

1. The local government finance settlement for 2014-15 and illustrative settlement for 2015-16 was announced on 18 December 2013. The LGA issued a full on the day briefing which is attached to the report at **Appendix A**.
2. This LGA's response – attached at **Appendix B** - was considered and agreed by Finance Panel office-holders in time for submission by the closing date of 15 January 2014. Some of the key points were raised by the Chairman in his meeting with Brandon Lewis MP on 13 January.

Key lobbying points in the LGA's response to the settlement

3. The following are the key points in the LGA response:
 - 3.1. The provisional Local Government Finance Settlement for 2014-15 and 2015-16 confirms that councils will continue to face public sector spending cuts up to 2016, with the next two years being the toughest yet for most authorities. The Government has however started to listen to local authorities and made some important concessions without which local services would have suffered more.
 - 3.2. We note that the Government has been unable to substantiate the figure in the 2013 Spending Round that there would be a real terms reduction in overall Local Government spending in 2015-16 of 2.3%. The figure of 1.8% announced as this part of the settlement is in cash not real terms and the average reduction in spending power announced by the Government is 3.3% in real terms rather than 2.3%. We call on the Government to substantiate the figure of 2.3% or withdraw it.
 - 3.3. Central government grant to run local services will fall by 8.5 % over the next two years, even when the additional funding through the Better Care Fund is taken into account. Without ring-fenced and health funding the fall is 15.9% in cash terms. Not all councils get the Better Care Fund so the overall figure masks higher cuts to these councils.
 - 3.4. As a result of the Autumn Statement there will not be an additional reduction in 2014-2015 this time over and above that announced in June. This is a positive development as it will aid financial planning in local government.
 - 3.5. We welcome the statement that the business rates changes in the Autumn Statement will be fully paid for. But local government has yet to see the detailed mechanism to be used.
 - 3.6. We call for council tax support funding to be made more transparent at individual authority level.

- 3.7. At a time when local authorities are contending with the biggest cuts in living memory, the introduction of the Better Care Fund and Government's decision to reverse potentially costly changes to the New Homes Bonus will help the efforts of many local authorities in protecting vital services.
- 3.8. The reduction of the money held back from councils for initiatives such as the New Homes Bonus reverses the position announced in the summer technical consultation on local government finance. It demonstrates that the concerns of the LGA and councils were listened to. But we are concerned that the Government will still be going ahead with the £120 million top-slice for the safety net in 2014-15 and that the top-slice removal from London Boroughs for New Homes Bonus in 2015-16 will also be going ahead, especially since the Government has not fully explained the reasons for treating London differently. We call for the safety net to be funded by the Government from outside the settlement.
- 3.9. We welcome the Government's commitment to continue to help authorities worst affected by the settlement through an Efficiency Support Grant.
- 3.10. We note the Secretary of State has yet to announce the level of Council Tax he will regard as excessive in 2014/15 and note that this makes forward planning difficult for many authorities. The next two years will be the toughest yet for local public services. By the end of this Parliament, local government will have to have made £20 billion worth of savings. Councils have so far largely restricted the impact of the cuts on their residents. They have worked hard to save those services that people most value and have protected spending on social care for children and the elderly, but even these areas are now facing reductions. 2015/16 will be a crunch year for councils and local public services.
- 3.11. We are concerned at the ending of the specific grant for local welfare support from 2015-16. There is concern that ending this grant in 2015-16 – contrary to Government promises to review the grant before coming to future decisions - will add to pressures for councils.
- 3.12. It is unacceptable that for a second consecutive year, councils have had to wait until late December to find out their funding for the next year. Moreover, we note that specific grant allocations from the Department for Work and Pensions (DWP) are currently missing from the draft settlement. This hampers local authorities in properly consulting with residents and deprives local areas of the long-term certainty needed to run important local services to a high standard. No business would be run in this way. We look forward to the Chancellor delivering on his commitment to provide a longer-term funding settlement for authorities and for there to be fewer in year announcements.

Conclusion and next steps

4. The final settlement for 2014-15 is expected to be announced in late January and to be approved by Parliament in the second week of February. The LGA will issue a briefing for this debate.

Financial Implications

5. This is core work for the LGA and will be contained within existing budgets.