

Local Government Finance Settlement

Purpose of report

For discussion and direction.

Summary

This report summarises:

1. the key lobbying wins for the LGA in the finance settlement;
2. how the different totals quoted – formula funding, start-up funding assessment and spending power – relate to each other;
3. key points in the LGA's response.

Recommendation

That members note this report and the LGA's submission to the Local Government Finance Settlement, which was signed off by lead members of this Panel.

Action

Officers to report further developments to this Panel.

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Local Government Finance Settlement

Background

1. The long delayed consultation local government finance settlement for 2013-14 and provisional settlement for 2014-15 was finally announced on 19 December 2012. The LGA issued a full on the day briefing.
2. This report concentrates in particular on:
 - 2.1. LGA lobbying wins.
 - 2.2. Further detail on the various totals used for comparisons.
 - 2.3. Key points have been included in the LGA's response to the 2013/14 consultation settlement.

LGA lobbying wins

3. The 2013-14 settlement is some £465 million greater than it would otherwise have been as a direct result of the lobbying and technical work done by the LGA and authorities.
4. That includes:
 - 4.1. A gain of £220 million; due to the removal of £25 million to fund the difference between the levy and the safety net; as opposed to the £245 million consulted on.
 - 4.2. A gain of £180 million, due to using 2012-13 rather than 2011-12 data to calculate the total size of the academies funding transfers.
 - 4.3. A gain of £31 million; due to more updated predictions for the Department for Work and Pensions (DWP) being used to calculate the council tax support funding. There is also £33.5 million new money for 2013-14 for new burdens for council tax support.
 - 4.4. It should be noted that in the House of Commons the Secretary of State stated that the 2013-14 settlement was £1.9 billion better than the figures released at the time of the summer technical consultation. As well as the figures above, this includes £1.5 billion, due to the New Homes Bonus top-slice being reduced from £2 billion to £500 million, sufficient to fund the scheme up to 2013-14 as opposed to its whole six years. It was always envisaged that the sums not needed for the NHB would be returned to local government in some form so we cannot really count this as a gain.
 - 4.5. A further win was the £593 million appeals allowance, as part of the calculations for getting to the Expected Business Rates Aggregate (EBRA). Even though it

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does not change the overall size of the settlement it represents a considerable de-risking of the business rates local share constituent.

Further detail on the aggregates used for comparison.

5. There are three figures which have been used to compare the year on year changes.
 - 5.1. **Formula funding.** This is the total formerly known as formula grant. For all the authorities going into the business rates retention arrangements there is a 4.4% fall for 2013-14 (4.1% fall for single tier and county councils (STCCs); 6.8% fall for shire districts and 7.5% fall for fire authorities).
 - 5.2. **Start-up Funding Assessment (SUFA).** This is formula funding plus the following which was either given in the form of specific grants in 2012-13 or (in the case of council tax support funding) through council tax benefit subsidy:
 - 5.2.1. Council tax freeze funding for 11-12;
 - 5.2.2. Council tax support funding;
 - 5.2.3. Early Intervention Funding;
 - 5.2.4. Some GLA funding;
 - 5.2.5. London Bus Operators funding;
 - 5.2.6. Homelessness prevention;
 - 5.2.7. Lead local flood authorities.
 - 5.3. For all authorities except police in 2013-14 there is a fall of 3.9% in SUFA; broken down into 3.8% for STCCs, 5.7% for shire districts and 7.5% for fire authorities. For 2014-15 there is a fall of 8.6% for all authorities.
 - 5.4. **Spending Power.** This includes SUFA plus the following:
 - 5.4.1. Council tax requirement for 2012-13;
 - 5.4.2. Transition Grant for 12-13;
 - 5.4.3. New Homes Bonus allocations for 12-13 and 13-14;
 - 5.4.4. CT freeze grant for 12-13 – (which was given for one year only) and for 13-14;
 - 5.4.5. Other grants including those relating to Social Fund Administration, Lead local flood authorities, health involvement.
 - 5.5. The total change for Spending Power for 2013-14 is a fall of 1.7%; this is the figure quoted by the Secretary of State and in the press. The breakdown is 1.7%

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fall for STCCs, 1.3% fall for shire districts and 4.4% fall for fire. Shire districts do better because of the effect of the New Homes Bonus. The fall in Spending Power for 2014-15 is 3.8% for all authorities. It should be noted that the Spending Power figures have been used to calculate eligibility for the Efficiency Support Grant for seven shire districts; this is in order to restrict their fall in Spending Power to 8.8%. These are all districts who were previously in receipt of transitional funding. The LGA has organised a meeting with these seven districts.

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

6. The following are the areas included in the LGA's response to the Local Government Finance Settlement:
 - 6.1. The settlement was late and incomplete – and this is a source of concern for all authorities.
 - 6.2. Although we acknowledge that there were no further cuts for 13-14 in the autumn statement, the 2% reduction for 2014-15, on top of the already announced cuts is 'unsustainable'.
 - 6.3. The growth in the local share for 2014-15 has been used to cut Revenue Support Grant in that year.
 - 6.4. Business rates retention has considerable risks for councils. The volatility caused by appeals which exposes many authorities to an unacceptable level of risk.
 - 6.5. We welcome the clarification now provided by the Department for Communities and Local Government (DCLG) on council tax support funding in the 2014-15 settlement – but note that this implies that funding for other services has been cut by more than 8.5%.
 - 6.6. Although we welcome the announcement that authorities will be able to fund capitalisation for equal pay purposes through asset sales, we are concerned that non-equal pay capitalisation will be top-sliced.
 - 6.7. The academies central services funding transfer will cause considerable problems for some authorities, although we welcome the reduction in the total top-slice by the use of later data.
 - 6.8. We are concerned about the cuts in general funding at the same time as an increase in ring-fencing. In particular, we are concerned at the cuts to early intervention funding which seem bound to affect local authority provision.
 - 6.9. We welcome the government's decision to provide additional grant funding to the worst affected of the shire districts that received transitional grant funding in 2012-13, but ask the government for this to be provided without strings.
 - 6.10. Council tax decisions are for local people to take.

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Conclusion and next steps

7. Following discussions at Leadership Board and Executive earlier this month, LGA officers incorporated these key points into the LGA's 2013/14 settlement response. This response was signed off by Lead Members of this panel and submitted to DCLG on 15 January. It is included as **Appendix A** to this report.
8. The final 2013/14 settlement figures are expected within the next few weeks. The final settlement is expected to be debated and approved by Parliament at the start of February. The LGA will issue a briefing for the debate.

Financial Implications

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