

The Local Government Finance Settlement for 2015-16

Purpose of report

For information and direction.

Summary

The 2015-16 consultation on the Local Government Finance Settlement is due to be published in December. This report covers briefly what officers expect to see in the forthcoming Settlement and seeks agreement on the proposed approach for responding to the settlement. Leadership Board will be given a verbal update on 11 December if any announcement, as part of the Autumn Statement, is likely to impact on the 2015-16 settlement.

Recommendation

Members are asked to agree:

- the main areas to be included in the response; and
- that lead members of the Resources Board will sign off the LGA's response to the 2015-16 Local Government Finance Settlement.

Action

Officers to proceed as directed.

Contact officer:

Nicola Morton

Mike Heiser

Position:

Head of Programmes (Finance)

Senior Advisor (Finance)

Phone no:

020 7664 3197

020 7664 3265

E-mail:

nicola.morton@local.gov.uk

mike.heiser@local.gov.uk

Local Government Finance Settlement 2015-16

1. The 2015-16 Local Government Finance Settlement is currently expected to be announced in the week commencing 15th December 2014.
2. In December last year, as part of a two year settlement, illustrative figures for 2015-16 were issued. However, as settlements are not fixed at this stage this could change.

The 2015-16 illustrative settlement

3. The 2015-16 illustrative settlement published in December 2013 confirmed local government would continue to face significant spending reductions to April 2016, with the Settlement Funding Assessment, (which consists of funding from both the local share of business rates and revenue support grant) for 2015-16 falling by 13.2%. This reduction was 5% greater than the figures announced in the June 2013 Spending Round, the difference being largely explained by larger top-slices for the business rates safety net and New Homes Bonus.
4. The Revenue Spending Power figures for 2015-16 showed a reduction of 1.8%; but this was on the basis that the entire Better Care Fund was counted as part of local government revenue spending power.
5. The Government's technical consultation on the 2015-16 settlement, published in July 2014, suggested that the key national totals for the 2015-16 settlement would be unchanged from those announced in December last year; the consultation itself was largely about the government paying some small grants previously paid separately through the settlement so significant change was not signalled.

Key issues for the 2015-16 settlement and potential LGA response

6. Key issues to be included in a response to the settlement will be subject to what is in the announcement but are likely to include:
 - 6.1 **Timing of the settlement** and the difficulties this creates for local authorities.
 - 6.2 **A call for multi-year settlements** to give greater certainty to local government.
 - 6.3 **Any changes to the overall total of funding** and the impact funding reductions have had on local government. Leadership Board will be given a verbal update on 11 December if any announcement as part of the Autumn Statement is likely to impact on the 2015-16 settlement.
 - 6.4 **Any changes to the top-slices for New Homes Bonus and the business rates safety net.** In its response to the technical consultation, the LGA called for an additional £343m of funding that had been top sliced for the New Homes Bonus and the safety net, to be put back into the settlement.
 - 6.5 The calculation of **Revenue Spending Power** figures and the appropriate treatment of funding. For example, the Better Care Fund (£3.5bn), money paid to the NHS rather than local government, the effect of the £200m cut in Education Services Grant for 15-16 and the shift of New Homes Bonus of £70m from London Boroughs to the GLA.

- 6.6 **The impact of business rate appeals** on local authorities which is unfair and not in local authority control.
- 6.7 Identifying and protecting the amounts in the settlement for **Council tax support** in a similar way to council tax freeze grant; this is something we called for in our response to the technical consultation.
- 6.8 Any news on **Care Act** implementation; in particular whether the figures for the New Burdens payment as consulted on in July 2014 are confirmed. In our response to this consultation the LGA noted that these allocations were significantly different from those included in the illustrative 2015-16 local government finance settlement which will impact on council planning. In addition, the LGA called for the government to revisit the 2015/16 funding envelope for implementing the Care Act reforms if research provided further evidence of inadequate funding.
- 6.9 Whether the figures for **Efficiency Support Grant** announced last year are confirmed and whether this is extended to any more authorities other than the 14 indicated in the illustrative settlement
- 6.10 Identification of **Local Welfare Support** in the settlement; the government has been consulting on this following concern at the ending of the separate Welfare Support Grant in 2015-16.
- 6.11 Early announcement of the **council tax referendum limit** for 2015-16. In the 2013 Spending Round the Government indicated that there would be limits of 2% in both 2014-15 and 2015-16. Although the limit for 2014-15 was confirmed at the time of the final settlement this was following indications from ministers at consultation that they could impose a lower limit.
- 6.12 Any other issues that might arise from the consultation settlement.
7. The consultation on the Local Government Finance Settlement is likely to run until mid-January. The LGA will issue an on the day briefing when the settlement is announced. It is recommended that Leadership Board agree that lead members of the Resources Board sign off the response to the consultation.
8. The final local government finance settlement is expected to be published at the end of January or early February 2015 and approved by Parliament during February. The LGA will issue a briefing to MPs for the debate in Parliament.

Conclusion and next steps

9. Members of Leadership Board are asked to agree:
 - 9.1 the main areas to be included in the response; and
 - 9.2 that lead members of the Resources Board will sign off the LGA's response to the 2015-16 Local Government Finance Settlement.

Financial Implications

10. This is core work for the LGA and is budgeted for within the 2014-15 LGA budget.