

The Local Government Finance Settlement 2015/16

Purpose

For Information.

Summary

This report outlines the LGA's activity on the 2015/16 Local Government Finance Settlement. The deadline for formal responses to the consultation on the 2015/16 settlement was 15 January 2015. The LGA's response, which is attached at [Appendix B](#), was cleared by the Lead Members of the Resources Board.

Recommendation

That the LGA Executive note the LGA's response to the 2015/16 Local Government Finance Settlement.

Action

Officers to provide updates on any follow-up announcements and policy developments.

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The Local Government Finance Settlement 2015/16

Background

1. The Local Government Finance Settlement 2015/16 was announced in Parliament on 18 December 2014 by Kris Hopkins, Parliamentary Under Secretary of State for Communities and Local Government and the Minister with responsibility for local government. This settlement is formally a consultation with responses required by 15 January 2015.
2. The LGA provided member authorities with an on-the-day briefing on the key announcements relevant to local government and has been following up with departmental officials on the detail of the settlement. The on-the-day briefing is attached to this report at [Appendix A](#) for information.
3. On 11 December 2014, the LGA Leadership Board agreed the key lines to be included in the response to the settlement, and that Lead Members of the Resources Board would sign off the consultation response. In line with this, the LGA's formal response to the consultation was submitted on 15 January 2015. This is attached at [Appendix B](#) for information.

Main points in the 2015-16 Consultation Settlement

4. The 2015/16 consultation settlement confirms that local government will 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 13.9 per cent.
5. The Revenue Spending Power figures for 2015/16 showed a reduction of 1.8 per cent, but this was on the basis that the entire Better Care Fund was counted as part of local government revenue spending power. Without the contribution from council tax and without that element of the Better Care Fund which will not be spent on social care or commissioned from authorities the overall cut is 8.8 per cent. The difference between the 8.8 per cent cut and the 13.9 per cent is largely explained by the New Homes Bonus topslice as well as the cut to local welfare support funding and the fact that some grants, such as the ring-fenced public health grant, have been maintained in real terms.

Main points in LGA's response

6. The key points included in the LGA's response to the settlement are:
 - 6.1. We note that the 2015/16 Local Government Finance Settlement is largely unchanged from the illustrative settlement for 2015/16 published last year and confirms the reductions in local government funding announced in the 2013 Spending Review.
 - 6.2. The overall reduction in spending power of 1.8 per cent masks a larger fall in external income. Central government grant to run local services will fall by 3.7 per cent next year, when the Better Care Fund (BCF) is included in full. Without including that element of the BCF which will not be spent on social care or

commissioned by local authorities, the reduction is 8.8 per cent.

- 6.3. The consultation Local Government Finance Settlement for 2015/16 confirms that councils will continue to face funding cuts up to 2016. The total reduction in core funding from government to councils in the period of this Parliament is 40 per cent.
- 6.4. 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. Continuing reductions of the same order to the end of the decade, as set out by the Office for Budget Responsibility in their Economic and Financial Outlook in December 2014 and by the Institute for Fiscal Studies, are unsustainable.
- 6.5. We welcome the statement that the business rates changes in the Autumn Statement will be fully paid for through s.31 grant, but the key concern for councils on business rates is the continuing high level of appeals from before 2013. In the Autumn Statement the Government moved to limit the time that an appeal, based on the 2010 valuation, can be backdated. We call on them to go further and to set off all appeal losses from before April 2013 against the old national business rates pool.
- 6.6. We note that council tax support funding has been included in the Settlement Funding Assessment which has been reduced by an average of 13.9 per cent for 2015/16. We call for council tax support funding to be made more transparent at individual authority level.
- 6.7. At a time when local authorities are contending with the biggest cuts in living memory, the introduction of the Better Care Fund and the 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.
- 6.8. We are pleased that the Government has reduced the top-slice for the New Homes Bonus from £1 billion to £950 million, as the LGA urged in its response to the technical consultation. But we are concerned that the Government will still be going ahead with the £70 million top-slice from the London boroughs for the New Homes Bonus in 2015/16 and that this is not reflected in the revenue spending power figures of London boroughs.
- 6.9. We welcome the Government's commitment to continue to help authorities worst affected by the settlement through an Efficiency Support Grant and note that 19 authorities are eligible in 2015/16.
- 6.10. We note the Secretary of State has announced the level of Council Tax he will regard as excessive in 2015/16. Referendums on council tax are an unnecessary and costly burden that will put growth generating investment at risk.
- 6.11. We are concerned at the ending of the specific grant for local welfare support from 2015/16. Although it has been incorporated into the Settlement Funding Assessment, with a cut of £40 million, there is no new money.

- 6.12. 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.
7. 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 Members of Parliament for the debate in Parliament.

Next steps

8. Members are asked to note the report and the content of the attached briefing and submission.

Financial Implications

9. This is core work for the LGA and is budgeted for within the 2014/15 LGA budget.