

RIBBLE VALLEY BOROUGH COUNCIL **DECISION**
REPORT TO SPECIAL POLICY AND FINANCE COMMITTEE

Agenda Item No 6

meeting date: 12 FEBRUARY 2013
title: PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14
submitted by: DIRECTOR OF RESOURCES
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1. PURPOSE

1.1 To report the details of the provisional finance settlement for 2013/14 and 2014/15.

2. BACKGROUND

2.1 The long awaited grant settlement for next year was finally issued on Wednesday 19 December 2012.

2.2 The Parliamentary Under Secretary of State for Communities and Local Government, Brandon Lewis, issued a written ministerial statement to the House of Commons which set out the Local Government Finance Settlement for 2013/14 and 2014/15.

2.3 A consultation period on the proposals was launched and ended on 15 January 2013.

2.4 Whilst headline funding figures were announced on 19 December many key documents were missing from the DCLG website until after Christmas, some tables are still shown as 'to follow' but we understand they will not now be issued.

2.5 At the time of writing this report we are still awaiting notification of the final grant settlement. I will report any changes to your meeting.

3. KEY POINTS

3.1 This is the first year of a new style settlement incorporating the retention of business rates.

3.2 The 2013-14 Start-Up Funding Assessment is £26.07bn, and the 2014-15 Start-Up Funding Assessment is £23.85bn.

3.3 Total Revenue Support Grant is £15.2bn and £12.6bn in 2013-14 and 2014-15 respectively.

3.4 From April 2013, business rates of approx. £11bn will be retained by councils.

3.5 The maximum levy on the local share of business rates is 50p in the pound. This means that a minimum of 25p in each extra pound of business rates generated locally will be retained locally.

3.6 The Government have retained four floor damping bands to protect councils facing significant reductions in funding. This year the Government has gone further and stretched the banded damping floors so they give even more weight to the councils who are most dependent, and has introduced banded floors for fire and rescue authorities for the same reason.

3.7 The Government have restored the level of the relative resource amount to that for 2010-11 to help authorities with a low council tax base.

3.8 There will be a safety net – fixed at 7.5 per cent – to provide additional protection against business rates volatility.

4. SPENDING POWER

4.1 The Government once again have produced tables showing what they say is the “spending power” of each authority.

4.2 The Government’s definition of revenue spending power is spending power from council tax, Government revenue grants and National Health Service Funding for social care. The calculation of each local authority’s spending power is also used to calculate eligibility for Efficiency Support Grant.

5. START UP FUNDING ASSESSMENT (SUFA)

5.1 The Start Up Funding Assessment (SUFA) previously called the Start Up Funding Allocation, refers to a local authority’s share of the spending control total. The SUFA is made up of two parts:

- ❖ Funding provided through Revenue Support Grant
- ❖ Funding provided through the business rates retention scheme – this is known as the baseline funding level

5.2 These two amounts are determined by applying the Local Share: Revenue Support Grant ratio to each local authority’s individual start-up funding assessment.

5.3 This is broadly the equivalent of our former Formula Grant.

Calculating individual authority start-up funding assessments

5.4 The aggregate start-up funding assessment is allocated to local authorities in two parts:

- ❖ Formula funding
- ❖ Grants transferred in from April 2013

6. FORMULA FUNDING

6.1 The Local Government Finance Report 2013-14 sets out formula funding amounts for each local authority. This has been allocated to local authorities by mathematical formulae, with the changes between years limited by floor damping. The Government has decided to largely base the calculation of formula funding on the 2012-13 formula grant methodology.

Data used in calculating formula funding

6.2 The Government has updated all existing datasets where possible upon which formula funding is calculated. These datasets include 2011-based population projections and council tax base projections.

Changes to the formulae used to calculate the startup funding assessment.

6.3 Following the recent Consultation Paper the Government have decided that the technical changes to be incorporated in formula funding are:

- ❖ changing the Relative Needs Formula for concessionary travel by moving to using modelled boardings data

- ❖ increasing the weight of sparsity in the Relative Needs Formula to support rural authorities and changing the definition of the sparsity indicator to give more weight to super sparse areas
- ❖ restoring the level of the Relative Resource Amount in 2013-14 to its 2010-11 level (-32.4 per cent), making a compensating adjustment to the level of the Central Allocation (49.4 per cent).

Distributing grants transferred into the aggregate start-up funding assessment in 2013-14

6.4 The Government have decided that a number of previously unringfenced specific grants would be transferred into the aggregate start-up funding assessment. The grants that are transferring have been distributed after floor damping.

7. SETTLEMENT FOR RIBBLE VALLEY 2013/14

<u>Start Up Funding Assessment</u>	£
Relative Needs Amount	1,342,574
Relative Resources Amount	-1,407,547
Central Allocation	2,543,187
Floor Damping	135,908
Formula Funding	2,614,122
Add: Homeless grant rolled in	50,000
Council Tax Support	218,897
Council Tax Freeze compensation	78,660
SUFA	2,961,679

7.1 Annex 1 shows a summary analysis of our Formula Funding calculation. One of the significant differences in our calculations is the drop in our population figure which forms the basis of our allocations under the 4 block method ie relative needs, relative resources, central allocation and damping. Our population (used in the calculations has fallen from 61,378 in 2010/11 to next year's figure of 57,735. The latest population figures are from the 2011 census projections.

7.2 As stated above an authority's Start Up Funding Assessment is split into Revenue Support grant and it's Individual Business Rates Baseline

7.3 For Ribble Valley our breakdown is as follows:

SUFA	2,961,679
Consists of:	
Revenue Support Grant	1,778,495
Individual Business Rates Baseline	1,183,184

How does this compare with 2012/13

7.4 There are two ways of looking at this – the Government’s approach which is to use spending power and then a comparison in cash terms.

7.5 Using the Government’s Spending Power comparison, the situation for Ribble Valley is set out below:

	Ribble Valley £m
2012-13 Council Tax Requirement excluding parish precepts	3.156239
Start-up Funding Assessment 2012-13 (adjusted)	3.170908
Transition grant 2012-13	0.000000
CT Freeze Grant 2012-13	0.078906
Community Right to Challenge 2012-13	0.008547
Community Right to Bid 2012-13	0.004873
New Homes Bonus 2012-13	0.179645
Estimated 2012-13 Revenue Spending Power	6.599118
2012-13 Council Tax Requirement excluding parish precepts	3.156239
Start-up Funding Assessment 2013-14	2.961679
Efficiency Support Grant 2013-14	0.000000
Community Right to Challenge 2013-14	0.008547
Community Right to Bid 2013-14	0.007855
CT Freeze 2013-14	0.031606
New Homes Bonus 2013-14	0.350368
Estimated 2013-14 Revenue Spending Power	6.516293
Change in estimated 'revenue spending power' 2013-14	-0.082824
Change in estimated 'revenue spending power' 2013-14	-1.26%

7.6 You will see the Government’s assessment of our change in funding is a reduction of 1.26% from 2012/13.

7.7 Our analysis of the change in cash terms however shows a different picture:

Analysis of change in Grant Funding on a like for like basis				
	2012/13	2013/14	Difference	%
	£	£		
RSG	55,179	1,778,495		
NNDR Redistributed/Business Rates				
Baseline	2,846,507	1,183,184		
	2,901,686	2,961,679		
<u>Add back equiv of grants rolled in from 2013/14 onwards</u>				
Council tax freeze grant for 2012/13	78,910			
Council tax benefit subsidy	218,897			
Homelessness	50,000			
	3,249,493	2,961,679	-287,814	-8.86%

7.8 The main difference between the two comparisons is that the Government include in our Spending Power the income we get from the New Homes Bonus scheme, which for 2012/13 was £179,645 and for 2013/14 will be £367,698. Members will recall under the New Homes Bonus Scheme we will receive funding for new homes or empty properties brought back into use. The amount receivable is equivalent to the national average council tax for each property and is paid out every year for the following six years.

8. EFFICIENCY SUPPORT GRANT

8.1 Once again a number of authorities have been awarded additional support. This year this is by way of Efficiency Support Grant (previously Transition Grant). The Government announced as part of the Settlement that 8 Authorities who were set to receive a reduction in Spending Power of more than 8.8% would be protected by way of Efficiency Support Grant to bring them to this level.

Local Authorities eligible to receive Efficiency Support Grant in 2013-14	Estimated 2012-13 Revenue Spending Power including NHS support for social care £m	Estimated 2013-14 Revenue Spending Power including NHS support for social care £m	Change in estimated 'revenue spending power' 2013-14 £m	Change in estimated 'revenue spending power' 2013-14 %	'Revenue sending power if reduction limited to no more than 8.8%' £m	Efficiency Support Grant - cost of bringing reduction to 8.8% £m
Great Yarmouth	17.250	13.924	-3.326	-19.28%	15.732	1.808
Burnley	19.872	16.341	-3.531	-17.77%	18.123	1.782
Barrow-in-Furness	13.953	11.594	-2.359	-16.91%	12.725	1.132
Bolsover	12.669	10.558	-2.111	-16.67%	11.554	0.996
Hyndburn	15.991	13.377	-2.613	-16.34%	14.584	1.206
Pendle	18.238	15.684	-2.553	-14.00%	16.633	0.949
Hastings	18.396	15.927	-2.469	-13.42%	16.777	0.850

8.2 In order to incentivise service transformation and efficiency, the Government state they have decided to make funding available in the second year dependent on performance in the first year.

9. CAPPING

9.1 The Government have announced that capping principles will apply. Any authority looking to increase their council tax by more than 2% will have to hold a local referendum. With the settlement proposals however they have stated an exemption to this limit for all district councils with a band d council tax in the bottom quartile ie less than £142. For such councils the limit will be £5 before capping would apply.

10. COUNCIL TAX FREEZE GRANT

10.1 The Government have announced a Freeze Grant worth 1% for two years for those councils who decide to freeze their council tax. For Ribble Valley this would mean £31,610 for 2 years.

11. PROVISIONAL SETTLEMENT 2014/15

11.1 The Government have announced as part of this settlement, figures for a second year i.e. 2014/15. At this stage however they have not provided a detailed breakdown of how these allocations have been calculated.

11.2 A summary of our position is set out below:

Analysis of change in Grant Funding from 2013/14 to 2014/15				
	2013/14	2014/15	Difference	%
	£	£		
RSG	1,778,495	1,365,618		
NNDR Redistributed/Business Rates Baseline	1,183,184	1,219,474		
	2,961,679	2,585,092	-376,587	-12.72%

11.3 This shows a significant reduction on the 2013/14 position and clearly is a cause for some concern.

12. CONCLUSION

12.1 In the summer we were led to believe that the Rural Services Network had successfully convinced the Government that the Formula Funding system didn't adequately recognise the cost of rural services. You will recall that the Government's consultation paper on changes to the grant system appeared to support this view. We, along with other members of SPARSE were therefore very disappointed to find the increases for sparsity we expected to see within our grant figures did not fully materialise.

12.2 Some of you will probably be aware of the intensive lobbying being carried out by SPARSE on behalf of it's members to try and convince the Government to honour the planned changes for sparsity that were due to be included in the settlement.

12.3 Our MP Nigel Evans attended the Rural MP meeting with SPARSE and by all accounts the meeting went very well and was strongly supported by MP's.

12.4 Our response to the consultation on the settlement which closed on 15 January 2013 is attached at Annex 2.

12.5 The final settlement is due to be announced shortly. It will be interesting to see if the strong representations made by rural authorities will have any impact

13. RECOMMENDATION

13.1 Note the information set out in this report.

DIRECTOR OF RESOURCES

PF17-13/JP/AC
5 February 2013

Comparison of Government Formula Funding

	2013/14 Provisional Settlement	2012/13 Settlement	2011/12 Settlement	2010/11 Settlement
	£	£	£	£
<u>Headline Allocations</u>				
Revenue Support Grant	1,778,495	55,179	764,324	525,133
Redistributed NNDR/Business Rates Retention	1,183,184	2,846,507	2,472,716	3,616,386
Formula Grant/Funding	2,961,679	2,901,686	3,237,040	4,141,519
<u>Breakdown of Formula Grant</u>				
Relative Needs Amount	1,342,574	981,704	1,093,099	1,326,623
Relative Resources Amount	-1,407,547	-910,845	-926,376	-1,383,533
Central Allocation	2,543,187	2,624,622	2,912,901	4,370,115
Floor Damping	135,908	127,545	157,416	-171,686
Homeless grant rolled in	50,000			
Council Tax Support rolled in	218,897			
Council Tax Freeze compensation re freeze in 2011/12 (4 years) rolled in	78,660	78,660		
Formula Grant/Funding	2,961,679	2,901,686	3,237,040	4,141,519



RIBBLE VALLEY BOROUGH COUNCIL

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14 January 2013

Dear Andrew

First of all the Council welcomes the opportunity to respond to the local government finance settlement but is concerned over the slow release of information that has made the analysis of our position very difficult. Indeed on the 14th January we are still awaiting some key tables in order to fully understand the impact of the provisional settlement.

What is clear is that the provisional settlement for 2013/14 has resulted in a spending per dwelling amount for my Council of £261 which compares with a shire district average of £299, a difference in funding of some £850,000 per annum. We felt it was widely accepted that rural areas have been under funded for many years. Our average council tax per dwelling is £1,372.71, considerably higher than the urban average certainly in Lancashire but also across the country and yet at the same time our residents do not enjoy local services on anything like the same scale as our urban neighbours.

We were therefore pleased that the Government recognised our case in its consultation over the summer and proposed formula changes that better reflected the additional costs of service delivery in sparsely populated rural areas.

We were dismayed therefore to discover in the provisional settlement that the improvements which had been set out in the consultation paper had not been allowed to flow through the system to at least begin to redress the balance in the funding disparity between rural and urban areas.

The promise of a more equitable allocation of resources at the outset of the new system was very important to rural authorities such as ourselves and we would ask you to look again at why the increased formula funding for sparsity was not allowed to result in increased funding allocations for my Council.

As a small authority we were also very disappointed to see that the Fixed Cost RNF that we fought long and hard for has been substantially reduced. This has had a disproportionate impact on small rural authorities who are already handicapped by a system that allocates significant funding to urban centres.

Finally we do recognise that the Government and your department in particular have an almost impossible task in reducing public expenditure, all we ask is that these reduced funding allocations are distributed fairly within the new funding system. We do feel let down with the provisional settlement which we strongly believe retains a heavy bias in favour of high spending urban authorities and continues to fuel their dependency on Government support.

Yours sincerely

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Director of Resources

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